

# ***Government That Works!***

NEW JERSEY DEPARTMENT OF THE TREASURY

**LOCAL GOVERNMENT BUDGET REVIEW**

***CAPE MAY CITY BOARD OF EDUCATION***

**CHRISTINE TODD WHITMAN**  
*Governor*

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**AUGUST, 2000**



## **GOVERNMENT THAT WORKS**

### **OPPORTUNITIES FOR CHANGE**

#### ***The Report of the Cape May City Board Of Education***

New Jerseyans deserve the best government their tax dollars can provide. Governor Whitman is committed to making state government leaner, smarter and more responsive by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board. Government on all levels must stop thinking that money is the solution to their problems and start examining how they spend the money they now have. It is time for government to do something different.

Of major concern is the rising cost of local government. There is no doubt that local government costs and the property taxes that pay for them have been rising steadily over the past decade. Prior to Governor Whitman's taking office in 1994, the state had never worked as closely with towns to examine what is behind those costs. That is why she created the Local Government Budget Review (LGBR) program. Its mission is simple: to help local governments and school boards find savings and efficiencies without compromising the delivery of services to the public.

The LGBR program utilizes an innovative approach combining the expertise of professionals, primarily from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a comprehensive management review and consulting service by the state at no cost to them. To find those "cost drivers" in local government, teams review all aspects of local government operation, looking for ways to improve efficiency and reduce costs.

In addition, teams also document those state regulations and mandates which place burdens on local governments without value-added benefits and suggest, on behalf of local officials, which ones should be modified or eliminated. Teams also look for "best practices" and innovative ideas that deserve recognition and that other communities may want to emulate.

Based upon the dramatic success of the program and the number of requests for review services, in July, 1997, Governor Whitman ordered the expansion of the program, tripling its number of teams in an effort to reach more communities and school districts. The ultimate goal is to provide assistance to local government that results in meaningful property tax relief to the citizens of New Jersey.

## **THE REVIEW PROCESS**

In order for a community or school district to participate in the Local Government Budget Review (LGBR) program, a majority of the elected officials must request the help of the review team through a public resolution. There is a practical reason for this: to participate, the governing body must agree to make all personnel and records available to the review team, and to agree to an open public presentation of the review team's findings and recommendations.

As part of the review of the Cape May City School District, review team members interviewed board of education members, administrators, district employees, teachers, parents, students, association officers, county education personnel, and community members. The review team received cooperation and assistance from the educational community and the community at large.

The team reviewed a variety of documents including but not limited to the following: budget statements, audit reports, annual financial statements (CAFR's), collective bargaining agreements, various State reports, payroll records, personnel contracts and files, vendor and account analyses, board policies, meeting agendas and minutes, and a variety of other pertinent documents. Members of the review team visited the district facility. Board of education meetings and other district meetings were observed during the course of the visit.

Where possible, the potential financial impact of an issue or recommendation is provided in this report. The recommendations do not all have a direct or immediate impact on the budget or the tax rate. In particular, the productivity enhancement values identified in this report do not necessarily reflect actual cash dollars to the municipality but do represent the cost of the entity's current operations and an opportunity to define the value of improving upon such operations. The estimates have been developed in an effort to provide the entity an indication of the potential magnitude of each issue and savings, productivity enhancement, or cost to the community. We recognize that all of these recommendations cannot be accomplished immediately and that some of the savings will occur only the first year. Some of these suggestions will require negotiations through the collective bargaining process. We believe that these estimates are conservative and achievable.

In addition to the Findings and Recommendation section, this report contains a section entitled Best Practices. Best Practices notes more practices that the review team finds to be exemplary and that might be replicated by other school districts to save money.

**LOCAL GOVERNMENT BUDGET REVIEW  
EXECUTIVE SUMMARY  
CAPE MAY CITY BOARD OF EDUCATION**

**Technology**

The district should consider creating a joint computer department with the municipality to handle technology needs for the city and school for an expense of \$33,000.

**Instruction**

Based on staffing and class size data reviewed, the district should eliminate one teaching position for a savings of approximately \$40,000.

**Business Office Operation**

The district should consider contracting out for a full evaluation of its property inventory and accounting cost records for a one-time expense of approximately \$15,000.

The district could yield a savings of \$130 by paying professional fees through the voucher system instead of payroll. The district could realize an additional revenue enhancement of \$30,000 - \$35,000 by implementing recommendations, e.g., limiting balances in accounts, exploring alternative investment vehicles, paying for banking services outright, etc.

**Food Service**

The team recommends two options for this section. Option 1: Increase lunch and breakfast prices and either eliminate a part-time food service position or reduce work hours for a savings of about \$14,000. Option 2: Have food service provided by Lower Township School District for a savings of about \$15,000.

**Collective Bargaining Issues**

*Health Benefits*

The district should negotiate a 20% other-than-single co-pay for a potential savings of \$13,100. The district could also yield a potential savings of \$27,700 by eliminating the prescription plan.

*Dental Benefits*

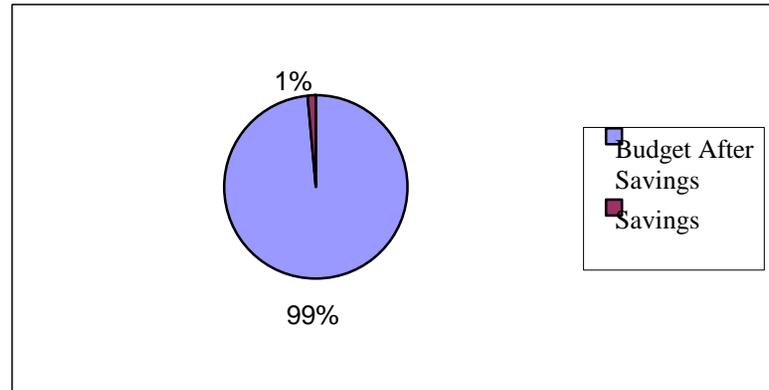
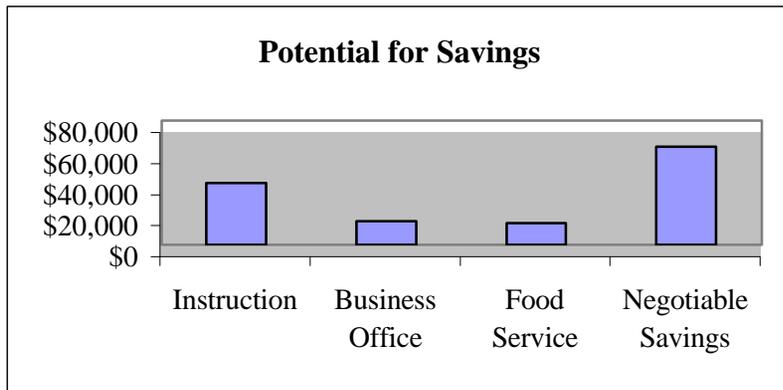
The district should negotiate a 50% premium co-pay for a potential savings of \$13,800. The district could also yield a potential savings of \$8,400 by providing single-coverage-only medical benefits for food service workers.

**COMPARISON OF BUDGET APPROPRIATION, STATE AID  
AND LOCAL TAX RATE WITH RECOMMENDED REDUCTIONS IN  
THE CAPE MAY CITY BOARD OF EDUCATION**

<u>Areas Involving Monetary Recommendations</u>	<u>One-time Savings/ Expense</u>	<u>Annual Savings/ Expense</u>	<u>*Potential Savings</u>	<u>Totals</u>
<b>Technology</b>				
Create joint computer department with city		(\$33,000)		<b>(\$33,000)</b>
<b>Instruction</b>				
Eliminate one teaching position		\$40,000		<b>\$40,000</b>
<b>Business Office Operation</b>				
Contract out for evaluation of property inventory/accounting records	(\$15,000)			
Pay professional fee through voucher system		\$130		
Revenue enhancement from various recommendations in report		\$30,000	\$35,000	
				<b>\$15,130</b>
<b>Food Service</b>				
Option 1				
Increase breakfast and lunch fees/eliminate part-time position <b>OR</b>		\$14,000		
Option 2				
Have food service provided by Lower Township		\$15,000		
				<b>\$14,000</b>
<b>Collective Bargaining Issues</b>				
<i>Health Benefits</i>				
Negotiate a 20% other-than-single co-pay			\$13,100	
Eliminate prescription plan			\$27,700	
<i>Dental Benefits</i>				
Negotiate a 50% premium co-pay			\$13,800	
Provide single-coverage-only medical for food service workers			\$8,400	
<b>Total Recommended Savings</b>	<b>(\$15,000)</b>	<b>\$51,130</b>	<b>\$63,000</b>	<b>\$36,130</b>

**COMPARISON OF BUDGET APPROPRIATION, STATE AID  
AND LOCAL TAX RATE WITH RECOMMENDED REDUCTIONS IN  
THE CAPE MAY CITY BOARD OF EDUCATION**

<u>Areas Involving Monetary Recommendations</u>	<u>One-time Savings/ Expense</u>	<u>Annual Savings/ Expense</u>	<u>*Potential Savings</u>	<u>Totals</u>
*\$63,000 not included in savings of \$36,130.				
<b>Total Amount Raised for School Tax</b>				<b>\$1,757,812</b>
<b>Savings as a % of School Tax</b>				<b>2%</b>
<b>Total Budget</b>				<b>\$2,796,797</b>
<b>Savings as a % of Budget</b>				<b>1%</b>
<b>Total State Aid</b>				<b>\$417,543</b>
<b>Savings as a % of State Aid</b>				<b>9%</b>



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## COMMUNITY OVERVIEW

Cape May City in Cape May County, the nation's oldest seashore resort, is located at the southeastern tip of New Jersey where the Delaware Bay meets the Atlantic Ocean. This city, which is situated on the same latitude as Washington, D.C., has the largest concentration of authentic Victorian structures in the United States and has been designated by the National Parks Service as a "National Historic Landmark." With a three mile beachfront, Cape May encompasses 2.47 square miles and has a population of 4,490 (1996 estimate). Of the city's 1,436 acres of land, approximately 50% is publicly owned, primarily by the U.S. Coast Guard and the city. Residential land use (2,955 parcels) covers 30% of the land in Cape May and consists mostly of single family homes, the median value of which was \$156,800 in 1989.

Ninety three percent of the residents of Cape May are white and 7% are black, Hispanic or of other races. The per capita income for 1989 was \$15,884; the median family income was \$35,568; and there were 197 in poverty. Educational attainment included 789 with college degrees and beyond, 909 high school graduates and 120 persons with 0-8 years of school. In 1996, real property valuations were about 82% residential, 8% commercial, 4% apartments and 6% vacant. (Enforcement of both federal and state wetlands protection statutes has significantly limited the potential for large-scale development.) There was no farming or industry.

A major change which has been taking place in Cape May over the past several years has been the restoration of numerous original Victorian era structures and their conversion from private residences into bed and breakfast inns, guest houses, stores and restaurants. Cape May is becoming a popular year-around resort for visitors.

Local economy is dominated by Coast Guard activity which is the largest single employer with over 1,200 employees and approximately 1,000 recruits rotating in and out of the center annually. Tourism and the fishing industry are the other two major employers.

The Cape May City School District is a Type II district in which board members are elected by local citizens for staggered three-year terms. The district consists of one school, the Cape May Elementary School which contains grades K - 6. At the time of this review, there were 201 students attending the Cape May City Elementary School, with two class sections of each grade.

Cape May City residents are also serviced by the Lower Cape May Regional School District. Consequently, students from Cape May City attend the Richard M. Teitelman Middle School for 7<sup>th</sup> and 8<sup>th</sup> grades, and the Lower Cape May Regional High School for grades 9 through 12.

In school year 1998-99, 10 students were sent outside the district for education.

Over the past decade, the Cape May City School District has seen a decline in enrollment, from an average daily enrollment of 333 students in the 1995-96 school year, to an early, October, 1999 enrollment of 201. This dramatic drop in enrollment has two main causative factors. One factor is the change in Coast Guard activities at the Cape May Coast Guard base; specifically, the

closing of the Coast Guard base Electronics Station and the relocation of the Cape May Air Station to Atlantic City. These changes resulted in the relocation of numerous young families from Cape May. A second factor is that younger families find it difficult to move into this area of high-priced real estate compounded by the fact that Cape May is located beyond reasonable daily commuting distance from any urban concentration of high-paying job opportunities.

The elementary school student body is a diverse one, consisting of approximately 51% Coast Guard family children, 10% students from the federal housing projects located within the City of Cape May, contiguous to the school property, and the remaining 39% from the local community, other than subsidized housing. The diverse backgrounds of the student body were cited as a source of pride by a number of township residents as well as by district administration and staff. The federal impact aid which the district receives as a result of the Coast Guard presence and the federal housing projects comprised approximately 25% and 28% of the district's revenues in school years 1997-98 and 1998-99, respectively.

Approximately 1,200 Coast Guard personnel and their families form an integral component of the Cape May community. There exist good relations and effective communication between the district and Coast Guard command. Each entity readily recognizes and respects the unique mission of the other, while at the same time working collaboratively to address the interests of the elementary school and advance the district's educational program.

Although Coast Guard command is sensitive to the impact on school districts from Coast Guard-initiated shifts in student population, it cannot always accommodate the need for notice of such changes. Despite the best efforts of the Coast Guard in reassigning personnel, it is the personal decision of the individual families as to whether a spouse and children will relocate as a result of reassignment. It is also the individual Coast Guard family's decision, when relocated to Cape May, whether to live on base, off base within the Cape May City limits, or off base outside the City of Cape May.

According to base command, the federal government is in the process of downsizing the number of on-base housing units available to service members and their families in all branches of the military. In communities with high housing costs, such as Cape May's, this could well mean that families relocated to such areas will choose housing outside the city limits; that is, outside the school district boundaries. Given that the Cape May Elementary School is currently comprised of more than 50% Coast Guard children, it is only realistic to say that the future of young Coast Guard families in Cape May is the future of the Cape May City School District.

## I. BEST PRACTICES

A very important part of each Local Government Budget Review Report is the Best Practices Section. During the course of every review, each review team identifies procedures, programs and practices, which are noteworthy and deserving of recognition. Best practices are presented to encourage replication in communities and schools throughout the state. By implementing these practices, municipalities and school districts can benefit from the Local Government Budget Review process and possibly save considerable expense.

Just as we are not able to identify every area of potential cost savings, the review team cannot cite every area of effective effort. The following are those best practices recognized by the team for their cost and/or service delivery effectiveness:

### **Kiwanis Club Youth Services**

The Kiwanis Club in the greater Cape May area consists of approximately 100 members. Through the direction of a “Youth Services” committee this club sponsors several programs for the schools and school systems in and around Cape May. Programs include the following:

- the annual pumpkin decorating contest which involves the purchase of approximately 100 pumpkins, refreshments and awards for the students;
- the “Bringing Up Grades” (BUG) Program for each marking period which includes the purchase of buttons, ribbons and certificates;
- the bi-monthly “Conversation Comrades” Program where several Kiwanians have lunch and converse with primary grade students;
- the annual VIP awards which involves the purchase of approximately 50 awards which are presented to students in recognition of scholarship, creativity and improvement;
- the annual Savings Bonds presentations to two outstanding sixth graders;
- the annual donation of \$300+ to the school; and
- the annual awarding of “Lamp of Learning” trophies to 15 students in recognition of student performance.

It should be noted that the Cape May students continue to receive support and recognition from the Kiwanis Club when they move on to the Lower Cape May Regional School System for grades 7 through 12. The club sponsors a number of programs for the students in these schools, including \$7,000 worth of scholarships presented each year to graduating students.

### **Custodial Practices**

The Cape May School District has hired custodians who have diversified skills that enable them to perform most of the repair work throughout the facility. The district has thereby eliminated the need to hire maintenance personnel and has greatly reduced the need to contract out for maintenance work.

The district has also eliminated all custodial overtime by staggering and/or rotating shifts. This scheduling allows for ample coverage at night and on weekends, while controlling costs.

### **Coast Guard Volunteer Support Programs**

The Cape May City School District is enriched by volunteer services from Coast Guard-based families. At no cost to the district, volunteers from the Coast Guard community have organized and presented student support programs such as the Breakfast of Champions in recognition of honor roll students. They have also served as tutors and guest readers in support of classroom learning activities. Additionally, the Coast Guard B Band and Color Guard have performed for the Cape May Elementary School students.

### **Education Foundation**

The Cape May Education Foundation, a non-profit corporation, was founded for the purpose of providing assistance and support to the educational mission of the Cape May City School District. Interested individuals may make donations to the district through the foundation. Acceptance of gifts from the foundation requires prior approval by the school board. This small foundation, which has \$1,500 as of October, 1999, has nevertheless impacted several programs, including technology and fine arts.

## **II. OPPORTUNITIES FOR CHANGE/FINDINGS AND RECOMMENDATIONS**

The purpose of this section of the review report is to identify opportunities for change and to make recommendations that will result in more efficient operations and financial savings to the school district and its taxpayers.

In its study, the review team found the district makes a conscious effort to control costs and to explore areas of cost-saving efficiencies in its operations. Many of these are identified in the Best Practices section of this report. Others will be noted as appropriate in the findings to follow. The district is to be commended for its efforts. The review team did find areas where additional savings could be generated and has made recommendations for change that will result in reduced costs or increased revenue.

Where possible, a dollar value has been assigned to each recommendation to provide a measure of importance or magnitude to illustrate cost savings. The time it will take to implement each recommendation will vary. It is not possible to expect the total projected savings to be achieved in a short period of time. Nevertheless, the total savings and revenue enhancements should be viewed as attainable goals. The impact will be reflected in the immediate budget, future budgets, and the tax rate(s). Some recommendations may be subject to collective bargaining considerations and, therefore, may not be implemented until the next round of negotiations. The total savings will lead to a reduction in tax rates resulting from improvements in budgeting, cash management, cost control and revenue enhancement.

### **COMPARATIVE ANALYSES**

Many of the recommendations contained in this report are based upon comparative analyses using New Jersey Department of Education data for districts of similar size and demographics (socio-economic district factor groups – DFG’s). The comparative data used in this report was compiled for school year 1997-98, the most current year for which comparative information was available at the time of the review. Other data was obtained from district documents, various state agencies, state education associations, relevant publications and private industry. School districts used for comparison with Cape May City were Long Beach Island, and Chesterfield and Mansfield Townships. The following table, Table 1, which is based upon the district’s Comprehensive Annual Financial Report (CAFR), compares the revenue sources of the four comparable districts:

**Table 1**

	<u>Cape May</u>		<u>Long Beach</u>		<u>Chesterfield Township</u>		<u>Mansfield</u>	
	<u>City</u>		<u>Island</u>				<u>Township</u>	
<b>Revenues 97-98</b>								
<b>General Fund</b>								
Local Tax Levy	\$1,757,812	50.8%	\$3,823,328	82.7%	\$1,702,193	77.7%	\$1,884,066	67.8%
State Aid	\$253,302	7.3%	\$548,524	11.9%	\$359,836	16.4%	\$381,118	13.7%
Federal Aid	\$1,028,413	29.7%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Tuition	\$59,698	1.7%	\$4,850	0.1%	\$0	0.0%	\$0	0.0%
Interest on Investments	\$111,582	3.2%	\$0	0.0%	\$23,857	1.1%	\$0	0.0%
Miscellaneous	\$20,011	0.6%	\$111,964	2.4%	\$17,133	0.8%	\$46,126	1.7%
<b>Total General Fund</b>	<b>\$3,230,819</b>	<b>93.3%</b>	<b>\$4,488,666</b>	<b>97.1%</b>	<b>\$2,103,019</b>	<b>95.9%</b>	<b>\$2,311,310</b>	<b>83.2%</b>
<b>Special Revenue Fund</b>								
State Aid	\$164,240	4.7%	\$38,677	0.8%	\$18,393	0.8%	\$20,743	0.7%
Federal Aid	\$66,907	1.9%	\$95,343	2.1%	\$16,136	0.7%	\$139,300	5.0%
Other	\$0	0.0%	\$0	0.0%	\$7,590	0.3%	\$0	0.0%
<b>Total Revenue Fund</b>	<b>\$231,148</b>	<b>6.7%</b>	<b>\$134,020</b>	<b>2.9%</b>	<b>\$42,119</b>	<b>1.9%</b>	<b>\$160,043</b>	<b>5.8%</b>
<b>Debt Service Fund</b>								
Local Tax Levy	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$297,745	10.7%
State Aid	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$5,523	0.2%
<b>Total Debt Service Fund</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$303,268</b>	<b>10.9%</b>
<b>Expendable Trust Fund</b>								
Other	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$3,353	0.1%
<b>Total Fiduciary Fund</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$3,353</b>	<b>0.1%</b>
<b>Capital Projects</b>								
Interest on Investments	\$0	0.0%	\$0	0.0%	\$46,807	2.1%	\$0	0.0%
<b>Total Capital Projects</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$46,807</b>	<b>2.1%</b>	<b>\$0</b>	<b>0.0%</b>
<b>Total Revenues (All Fund)</b>	<b>\$3,461,966</b>	<b>100%</b>	<b>\$4,622,686</b>	<b>100%</b>	<b>\$2,191,945</b>	<b>100%</b>	<b>\$2,777,974</b>	<b>100%</b>

Source: School districts' 1997-98 CAFR

With the exception of Cape May City, at least 68% of the revenue for the general fund in each of the comparison districts comes from local tax. For Cape May City, 51% of the general fund revenue comes from local tax. The district has lost part of its local property tax base because of federal activities (the Coast Guard base and federal housing) that cause real property to be exempt from taxation. However, the district qualifies for and receives federal impact aid which is a formula grant program designed to assist local school districts that have been affected by the presence of federal activities. The Cape May City School District received between 26.4% and 33.2% impact aid over the past three years.

With regard to the Special Revenue Fund, the district also received state and federal aid of 6.7% which is the highest among the comparison districts.

The following table, Table 2, illustrates data which compares general fund expenditures for Cape May and each of the comparison districts:

**Table 2**

	<u>Cape May</u>		<u>Long Beach</u>		<u>Chesterfield</u>		<u>Mansfield</u>	
	<u>City</u>		<u>Island</u>		<u>Township</u>		<u>Township</u>	
<b>97-98 General Fund Expenditures</b>								
Regular Program - Inst.	\$941,921	36.7%	\$1,476,173	33.4%	\$866,038	41.1%	\$974,541	40.8%
Special Education	\$57,557	2.2%	\$265,584	6.0%	\$111,982	5.3%	\$141,096	5.9%
Basic Skills-Remedial	\$20,543	0.8%	\$54,992	1.2%	\$51,200	2.4%	\$41,041	1.7%
Bilingual Education	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Sponsored Cocurricular Activities	\$8,000	0.3%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Sponsored Athletics	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Other Instruction Program	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Community Services Program	\$0	0.0%	\$1,864	0.0%	\$2,634	0.1%	\$0	0.0%
<b>Total Instructional Cost</b>	<b>\$1,028,021</b>	<b>40.1%</b>	<b>\$1,798,613</b>	<b>40.7%</b>	<b>\$1,031,854</b>	<b>49.0%</b>	<b>\$1,156,678</b>	<b>48.4%</b>
<b>Undistributed Exp. - Instr.</b>	<b>\$142,740</b>	<b>5.6%</b>	<b>\$110,456</b>	<b>2.5%</b>	<b>\$27,698</b>	<b>1.3%</b>	<b>\$78,655</b>	<b>3.3%</b>
General Administration	\$97,099	3.8%	\$160,388	3.6%	\$76,012	3.6%	\$117,236	4.9%
School Administration	\$158,608	6.2%	\$221,987	5.0%	\$83,144	3.9%	\$57,397	2.4%
<b>Total Administration Cost</b>	<b>\$255,707</b>	<b>10.0%</b>	<b>\$382,374</b>	<b>8.6%</b>	<b>\$159,156</b>	<b>7.6%</b>	<b>\$174,633</b>	<b>7.3%</b>
Food Service	\$0	0.0%	\$0	0.0%	\$11,000	0.5%	\$6,834	0.3%
Health Service	\$17,433	0.7%	\$93,085	2.1%	\$40,533	1.9%	\$27,167	1.1%
Attendance & Social Work Services	\$775	0.0%	\$150	0.0%	\$0	0.0%	\$4,789	0.2%
Support Services - Regular Students	\$50,579	2.0%	\$34,375	0.8%	\$0	0.0%	\$60,150	0.0%
Support Services - Special Services	\$70,583	2.8%	\$124,045	2.8%	\$0	0.0%	\$75,812	0.0%
Students Related & Extra Service	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$31,237	1.3%
Other Support Services	\$0	0.0%	\$41,561	0.9%	\$76,590	3.6%	\$0	0.0%
Other - Improvement of Inst. Service	\$21,840	0.9%	\$34,425	0.8%	\$1,790	0.1%	\$0	0.0%
Media Service/School Library	\$65,501	2.6%	\$83,000	1.9%	\$46,469	2.2%	\$19,802	0.8%
Instructional Staff Training Service	\$0	0.0%	\$2,984	0.1%	\$10,146	0.5%	\$200	0.0%
Operation of Plant	\$261,581	10.2%	\$528,734	12.0%	\$175,239	8.3%	\$141,615	5.9%
Business & Other Support Services	\$316,884	12.4%	\$79,465	1.8%	\$280,608	13.3%	\$56,551	2.4%
Other Undistributed Expenditures	\$8,922	0.3%	\$0	0.0%	\$0	0.0%	\$0	0.0%
<b>Total Support Services</b>	<b>\$814,096</b>	<b>31.7%</b>	<b>\$1,021,824</b>	<b>23.1%</b>	<b>\$642,375</b>	<b>30.5%</b>	<b>\$424,157</b>	<b>17.7%</b>
TPAF Pension Contributions	\$33,110	1.3%	\$50,424	1.1%	\$15,796	0.8%	\$18,832	0.8%
Reimb. TPAF SS Contribution	\$97,601	3.8%	\$167,026	3.8%	\$94,753	4.5%	\$106,525	4.5%
Benefits	\$0	0.0%	\$510,031	11.5%	\$0	0.0%	\$243,876	10.2%
Transportation	\$36,177	1.4%	\$183,455	4.1%	\$127,043	6.0%	\$179,685	7.5%
Capital Outlay	\$158,197	6.2%	\$196,552	4.4%	\$4,634	0.2%	\$6,815	0.3%
Special Schools	\$0	0.0%	\$0	0.0%	\$2,499	0.1%	\$0	0.0%
<b>Total General Fund Expenditures</b>	<b>\$2,565,649</b>	<b>100%</b>	<b>\$4,420,755</b>	<b>100%</b>	<b>\$2,105,808</b>	<b>100%</b>	<b>\$2,389,856</b>	<b>100%</b>

Source: School districts' 1997-98 CAFR and NJ Department of Education Comparative Spending Guide 1998

The following table, Table 3, indicates the comparative per pupil costs for selected cost factors for the 1997-98 school year:

**Table 3**

<b>Selected Cost Factors</b>	<b><u>Cape May</u> City</b>	<b><u>Long Beach</u> Island</b>	<b><u>Chesterfield</u> Township</b>	<b><u>Mansfield</u> Township</b>
Total Cost Per Pupil	\$9,360	\$9,855	\$7,151	\$5,561
Total Classroom Instruction	\$5,127	\$5,549	\$4,498	\$3,692
Classroom Salaries & Benefits	\$4,730	\$5,223	\$4,310	\$3,482
Classroom General Supplies & Textbooks	\$326	\$302	\$146	\$187
Classroom Purchased Services & Other	\$72	\$24	\$42	\$24
Total Support Services	\$1,041	\$1,176	\$771	\$716
Support Services Salaries & Benefits	\$741	\$1,081	\$678	\$616
Total Administrative Cost	\$1,740	\$1,482	\$1,095	\$721
Salaries & Benefits for Administration	\$1,235	\$1,172	\$853	\$595
Operations & Maintenance of Plant	\$1,161	\$1,466	\$738	\$419
Salaries & Benefits for Oper./Maint. of Plant	\$550	\$584	\$436	\$205
Food Service	\$235	\$122	\$43	\$19
Extracurricular Cost	\$38	\$0	\$0	\$0
Equipment	\$242	\$293	\$48	\$32
Student/Teacher Ratio	12.2	11.1	12.4	16.2
Median Teacher Salary	\$43,116	\$46,500	\$37,395	\$45,750
Student/Support Service Ratio	76.1	62.8	77.9	79.1
Median Support Service Salary	\$44,344	\$46,550	\$45,800	\$30,158
Student/Administrator Ratio	125.5	104.7	128.5	158.3
Median Administrator Salary	\$71,350	\$68,263	\$63,000	\$66,815
Faculty/Administrator Ratio	12.0	11.1	12.1	11.8
Personal Service-Employee Benefits	14.9%	18.8%	13.9%	16.0%

Source: 1999 NJDOE Comparative Spending Guide

\*\*The total cost per pupil is calculated as the total current expense budget plus certain special revenue funds, particularly early childhood programs, demonstrably effective programs, distance learning network costs and instructional supplement costs. The calculation does not include the local contribution to special revenue, tuition expenditures, interest payments on the lease purchase of buildings, transportation costs, residential costs and judgments against the school district. Also excluded from this per pupil calculation are equipment purchases, facilities acquisition and construction services, expenditures funded by restricted local, state and federal grants, and debt service expenditures.

A comparison of Cape May City's per pupil costs with those of Long Beach Island, Chesterfield and Mansfield Township, based on the Comparative Spending Guide (Table 3) illustrates that, overall, Cape May's costs are in the high range. Classroom general supplies and textbooks, classroom purchased services, total administrative cost, salaries and benefits for administration, food service and extracurricular are the highest among the comparable schools. Total cost per pupil, classroom instruction, classroom salaries and benefits, support service, support services salaries and benefits, operations and maintenance of plant, salaries and benefits for operations/maintenance of plant and equipment all ranked the second highest among the comparable schools.

In the 1999 Comparative Spending Guide Cape May City is grouped with 67 K- 6 districts ranked low (1) to high (67). The following table, Table 4, indicates Cape May's rank in selected cost categories for the school years 1996-97, 1997-98 and 1998-99:

**Table 4**

	1996-97		1997-98		1998-99	
	Actual	Ranking	Actual	Ranking	Budget	Ranking
Cost Per Pupil	\$7,890	51	\$9,360	62	\$10,924	66
Classroom Instruction	\$4,197	29	\$5,127	57	\$5,829	61
Classroom Salaries & Benefits	\$3,765	21	\$4,730	55	\$5,226	59
General Supplies & Textbook	\$271	56	\$326	60	\$515	66
Purchased Services & Other	\$162	56	\$72	51	\$88	53
Support Services	\$822	59	\$1,041	60	\$1,416	67
Support Services Salaries & Benefits	\$721	62	\$741	53	\$1,001	64
Total Administrative Cost	\$1,538	60	\$1,740	62	\$1,954	65
Salaries & Benefits for Admin.	\$1,061	54	\$1,235	60	\$1,317	62
Operations & Maintenance	\$1,050	57	\$1,161	61	\$1,369	66
Salaries & Benefits for Oper./Maint.	\$459	56	\$550	62	\$589	63
Food Service	\$265	55	\$235	48	\$316	46
Extracurricular Cost	\$29	29	\$38	37	\$39	35
Median Teacher Salary	\$41,417	42	\$43,116	41	\$43,116	38
Median Support Service Salary	\$42,408	48	\$44,344	49	\$44,344	48
Median Administrator Salary	\$85,400	65	\$71,350	45	\$72,500	47
<b>Ranked High Ratio to Low</b>						
Student/Administrator Ratio	285.0	2	125.5	45	122.0	47
Faculty/Administrator Ratio	23.7	4	12	42	12	41

Source: 1998 NJDOE Comparative Spending Guide

The cost per pupil for Cape May City School District was ranked 51<sup>st</sup> in 1996-97, 62<sup>nd</sup> in 1997-98 and 66<sup>th</sup> (as budgeted) in 1998-99. A ranking of above 34 would reflect a higher cost than the midpoint and a ranking of lower than 34 would reflect costs below the midpoint of the 67 districts. An examination of Table 4 reflects Cape May City's standing when compared with the 66 like enrollment/grade configuration districts.

The total cost per pupil in Cape May City for 1996-97 was \$7,890 and in 1997-98 the total cost per pupil was \$9,360 while the Comparative Spending Guide lists the state average cost for K – 6 schools at \$6,514 in 1996-97 and \$6,707 in 1997-98. Cape May City School District was above the state average cost for K- 6 districts by 21.12% in 1996-97 and 39.56% in 1997-98. During these two years, Cape May City was ranked above the median in most cost categories.

Using the NJ School Report Card and the Comprehensive Annual Financial report (CAFR), the following table, Table 5, provides additional comparative data used in this report:

**Table 5**

	<u>Cape May</u>	<u>Long Beach</u>	<u>Chesterfield</u>	<u>Mansfield</u>
<u>Description</u>	<u>City</u>	<u>Island</u>	<u>Township</u>	<u>Township</u>
County	Cape May	Ocean	Burlington	Burlington
District Type	II	II	II	II
Grades	K-6	K-6	K-6	K-6
District Factor Group	DE	FG	FG	FG
Certified Employees	29	43	31	32
Other Employees	21	30	15	20
Total Employees	50	73	46	52
Square Miles	2.47	8.2	23	21.72
<b>Number of Schools</b>				
Elementary	1	2	1	1
Total Schools	1	2	1	1
<b>Average Daily Enrollment 97-98</b>	240	385	256	362
<b>Teacher/Student Ratio</b>				
Elementary	1:15	1:9	N/A	1:23
<b>Administrative Personnel 97-98</b>				
Number of Administrators	2	3.6	2	2.3
Administrator per Students	1:125.5	1:104.7	1:127.5	1:157.4
Administrator/Faculty Ratio	1:12	1:11.1	1:12.1	1:11.8
<b>Median Salary 97-98</b>				
Faculty	\$43,284	\$46,500	\$40,745	\$44,900
Administrators	\$71,350	\$68,263	\$63,000	\$66,815
<b>Median Years of Experience 97-98</b>				
Faculty	13	15	13	19
Administrators	16	20	17	17
Instructional Time	5hrs, 40 min	5hrs, 30-45 min.	5 hrs, 30 min	5 hrs, 30 min
Student Mobility Rate	68.5	7.8	9.8	2.2

Source: 1998 School Report Card, 1999 NJDOE Comparative Spending Guide and 1997-98 CAFR.

**Board Member/Superintendent Expenses**

The review team conducted an analysis of board member expenses which totaled \$13,113 for the 1997-98 school year. Most of the expenses paid were for membership dues in various organizations (\$8,797), advertisements (\$1,196), school elections (\$785), food (\$645) and miscellaneous expenses (\$1,690). The board does not issue credit cards or cellular phones to its members. It should be noted that the board has no written policy for board member and district staff expense reimbursement. Overall, expenditures from the board expenses account appear to be appropriate.

## **Recommendation:**

**Although the board's records indicate no excessive expenditures relating to workshops, it is good fiscal practice to have a policy for expense reimbursement. Such a policy should include language identifying legitimate expenses incurred by board members and district staff. Also, limits should be set by board policy for travel, lodging and meal expenses. The district may want to reference the New Jersey School Boards Association's sample policies.**

## **Technology and Computers**

Technology spans all organizational areas and provides local governments with numerous opportunities for savings. In school districts, administrators use technology in two ways, to improve organizational productivity and as an instructional tool to prepare students for the future. The Cape May City School District, with its limited resources, has done an exceptional job of securing resources to assist in technology development.

## **Organization**

At the time of the review, the district did not have a computer department or technician to assist with computers. Prior to 1998, the district relied heavily upon volunteers from the community, especially parents and personnel from the nearby military base. In recent years, much of the support has come from the superintendent, teachers, and the County Vo-Technical School. The superintendent recognizes that the lack of a trained professional impedes the ability of the district to maintain its existing technology.

## **Technology Plan**

Since 1993, the district has participated in numerous consortiums comprised of Cape May City, West Cape May, Lower Township and Lower Cape May Regional, County Vo-Technical School, as well as businesses and numerous non-profit organizations. In addition, residents of the district and instructors at the local military base have contributed significantly to district technology initiatives. With the aid of a technology advisory board from the Lower Cape May Regional Consortium, the district developed and adopted a five year technology plan in September, 1997.

Since 1997, the technology committee has lost several critical members to retirement. Still, the various consortiums have provided valuable assistance in grant development and the procurement of technology equipment for all the schools in the consortiums.

Technology is a field where hardware and software become outdated almost as soon as the product reaches the market. As a result, local governments routinely become victims to expensive upgrades and/or new purchases. The alternative to upgrading becomes expensive maintenance contracts usually for proprietary software or hardware. The best tool to assist administrators is the technology plan when it is updated every two years. Biennial updates encourage districts to follow the technology advances and often can assist in identifying alternative technologies for the district needs. For example, the recent emergence of digital photocopy machines with duplexers facilitates double-sided printing and eliminates the need for a laser printer and copier; thus a district could reduce paper consumption and eliminate the expense of a printer along with maintenance and supplies.

## **Recommendation:**

**Biennial review of the technology plan forces the district to review and evaluate current and emerging technology. It is, therefore, recommended that the district review the district technology needs and update the technology plan every two years. Further, in order to receive Distance Learning Network Aid, school districts must submit biennial technology plans for Department of Education approval.**

## **Infrastructure**

The school has 163 PC computers, along with five Apple computers used in the kindergarten classrooms. The district has installed three or four computers in each classroom with the remaining dispersed throughout the school. Each classroom has one computer cabled to a hub and then to a server located and operated in the Cape May County Vo-Technical School, which is located 10 miles to the north. A hub is a technology device which all data/communication on a network must “pass through” before attempting to access the server. It acts as a “traffic cop” preventing data/communications from creating a “traffic jam” within the wide area network (WAN). The district then connects to the remote server through ISDN (Integrated Services Digital Network) phone lines. The county school provides all technical support and maintenance of the WAN. The computers in each classroom are currently stand-alone units. The district plans to create a mini-network in each classroom through a pier to pier network linked by a mini-hub unit in each room.

In 1999, the district installed an interactive distance learning (IDL) room. An IDL room links multiple sites into a conference room environment that allows districts to offer courses or seminars to students and/or adults that otherwise would be cost prohibitive. For example, through the IDL room, the district could offer a grade school meteorology class with nearby school districts and the national weather center in Washington, DC. The distance learning room uses three ISDN phone lines that are required to achieve acceptable video streaming performance.

The district receives Internet services through the County Vo-Technical School wide area network, which pipes 128K access through the ISDN connections. The limited size of the facility and quality of the hub provides an acceptable level of response time for instructional settings. Instructors in each classroom have the ability to display contents of the Internet on a TV/Video monitor in the classrooms.

The four ISDN lines contribute substantially to the district’s telephone bills. The district pays approximately \$4,000 a year for the ISDN service. Monthly charges average approximately \$300, excluding connection time, which for the WAN connection, averages \$39 a month. The ISDN lines to the distance learning room will differ depending on the location of the remote site. At the time of the review, the team was unable to determine a reasonable ISDN cost to the distance learning room because of its recent installation. The LGBR team feels that communication costs will increase as the IDL becomes fully integrated into the instructional environment.

An alternative technology to WAN ISDN is wireless technology. A wireless system to the County Vo-Technical School would require a relay tower at the nearby bridge since the structure interrupts a direct line of sight with the County Vo-Technical Tower. However, the County Vo-Technical School is currently exploring an alternative plan that would eliminate the need of a relay tower in a wireless network. The advantage of the wireless network is its ability to pay for itself in approximately two years and the elimination of monthly phone charges. In addition, if the Vo-Technical School plan materializes, the school should approach the City of Cape May to offer network and Internet access services. The district should work with the County Vo-Technical School to find alternative methods for communication services.

### **Purchasing**

Excluding maintenance and consultant contracts, the district spent \$19,100 in 1998 and \$32,994 in 1999 on computer hardware and supporting software. Of the total two-year \$52,094 expenditure, at least \$32,627 came from federal, state and private sources. The district has successfully leveraged grants for technology and has less dependency on non-taxpayer sources in the technology plan. The district therefore recognizes that budget impacts may limit the ability of the district to either maintain and/or upgrade existing technology.

The district switched to purchasing computers under state contract beginning in 1998. In prior years, the district had a strong technology committee that included several experts from the community and the nearby military base. These individuals assisted in development of bids and procurement, along with maintenance of the equipment. As a result of avoiding state contract, the district was able to save approximately 20-30% on hardware purchases. As the level of expertise in the technology committee changed, the superintendent switched to state contract in order to protect the interest of the school and taxpayers. With that change came increased computer prices and the need for consultants.

### **Consultants & Maintenance Agreements**

Absent a technology employee, the district contracts for computer maintenance at a yearly cost of \$3,588. The contract includes a minimum service of 55 hours and a maximum of 300 hours, excluding parts and materials. The contract covers 23 computers and 32 peripherals with a rotating bi-monthly preventive maintenance schedule that insures that all computers receive maintenance at least once a year. The remaining computers still carry manufacturer warranties. The district also relies on its own technology-literate employees to troubleshoot and solve computer problems. The district has a maintenance agreement for the finance and student software for \$8,490 annually.

### **Recommendation:**

**Over the past 10 years, parts and materials have continued to deteriorate. If the district chooses to continue maintenance agreements, the LGBR team recommends that the district include in the contract a requirement of the consultant to provide parts and materials at either current market rates based or a percentage above the consultant's cost.**

According to its technology plan, the district recognized the need to employ a part-time computer technician, fund a technology budget for materials and provide adequate funding for updating technology. The superintendent agrees with the requirements, as does the LGBR team. A district technology director could provide continuity to technology, permit the district to take advantage of technology bidding and perform the functions that the repair consultant now performs. The district could even reduce communication expenses by converting the WAN into a local area network and utilizing a wireless connection for Internet access to the County Vocational-Technical School. Furthermore, a district-employed director could represent the district's interests concerning all technology issues. The problem is that the size of the district does not arguably support a full-time position and, coupled with the geographic location of the district, would make it extremely difficult to find an individual willing to fill the position on a part-time basis.

**Recommendation:**

**The municipal LGBR team, in its simultaneous study, found similar circumstances in the municipal setting, i. e., the need for a part-time technology director to assist with automation and technology maintenance and procurement. It is, therefore, recommended that the district and municipality create a joint computer department to handle all technology needs of the city and school district. Employment of a director would eliminate computer consultants and achieve additional savings through the bidding process. The district's share of the position is estimated at approximately \$33,000 (including benefits). By sharing one full-time position, the city and district should be able to attract qualified applicants.**

**Value Added Expense: \$33,500**

**Communication and Telephones**

Based on the audit report, the district expended \$21,029 in school year 1997-98 and \$25,077 in 1998-99 for communications/telephone services. The district's telephone and postage costs are charged to this account, with the major portion coming from the telephones. The district expended \$4,171 for postage in 1997-98 and \$5,926 in 1998-99. A comparison of the Cape May City School District's communication expenses with schools of similar size and demographics revealed its expenses to be the highest for the 1997-98 period.

**Communications/Telephone Costs  
School Year 1997-98**

	<b>Cape May</b>	<b>Long Beach</b>		<b>Mansfield</b>
		<b>Island</b>	<b>Chesterfield</b>	
Total Communication/Telephone Costs	\$21,029	\$14,949	\$6,095	\$7,434
Per Pupil Communication/Telephone Costs	\$87.62	\$38.83	\$23.81	\$20.54

Cape May's per pupil cost of \$87.62 is the highest in this group. The district's 1998-99 Comprehensive Annual Financial Report (CAFR) indicates that total communication/telephone costs increased 19% between 1997-98 and 1998-99. For this reason, the team analyzed the

communication/telephone costs for the 1998-99 school year. According to the team's review, the main contributory factors for the cost increase were the new telephone lines installed in the district in 1998-99, and increased postage costs. The district also used Internet service for instructional purposes, including the electronic visits to classes in the Richard M. Teitelman Middle School.

In reviewing the costs associated with the telephone service, the team looked at the reimbursement procedure for personal calls by employees. All of the telephones in the district are blocked and limited to the local calling area only. The district assigns Personal Identification Numbers (PINs) to staff members for long distance calls. Under the present system, employees can make long distance calls by entering the PIN code to identify themselves and the number being called without going through the district's operator. When the bill is received, the district collects the charges from the employees for their personal calls. No cellular phones have been issued to district staff members.

## INSTRUCTION

### Class Size

The Cape May City School District's student/faculty ratio and average class size were below state average during each of the three most recent years for which comparative figures were available.

### Student/Faculty Ratios\*

School Year	Cape May	Chesterfield	Long Beach Is.	Mansfield	State Average
1995-96	14.1:1	10.8:1	9.9:1	12.9	14.2:1
1996-97	12.0:1	10.4:1	9.8:1	12.1	14.2:1
1997-98	10.5:1	10.6:1	10:1	13.4	14.2:1

\*Source: 1997-98 New Jersey School Report Cards

### Average Class Size

School Year	Cape May	Chesterfield	Long Beach Is.	Mansfield	State Average
1995-96	17	17	17	21	22
1996-97	17	18	18	20	22
1997-98	17	18	19	22	21.6

\*Source: 1997-98 New Jersey School Report Cards

From the Cape May Elementary School's official registers, the review team confirmed that total school enrollment and individual class sizes have dropped significantly over the past two school years, that is, 1998-99 and 1999-00. This reduction is due in large part to the closing of the Coast Guard Electronics Station and the relocation of the Cape May Air Station.

**Recommendation:**

**Based on the staffing and class size data reviewed by the team, it is recommended that the district eliminate one teaching position.**

**Cost Savings: \$40,000**

**Receiving Relationships**

The Cape May City School District is in a receiving relationship with Cape May Point for the education of students from kindergarten through sixth grade. The Cape May Point School District has no schools and no paid personnel. For the three school years 1996-97 through 1998-99, the Cape May School District received 11, 14, and 13 students, respectively, from Cape May Point. Cape May Point pays for the education of these children on a per capita basis. Revenue to the Cape May City School District for the education of these children for the three years reviewed was as follows:

1996-97	\$60,358
1997-98	\$59,698
1998-99	\$72,208

**Regional Junior High and High Schools**

Students from the Cape May City School District attend middle school (7<sup>th</sup> and 8<sup>th</sup> grades) and high school (9<sup>th</sup> through 12<sup>th</sup> grades) at the Lower Cape May Regional School District.

**Staff Development**

The Cape May City School District is a member of the Lower Cape May Regional Consortium which works cooperatively to lower member costs for common activities such as staff development and grant writing. By means of the consortium, which also includes West Cape May, Lower Township and Lower Cape May Regional School Districts, member districts join together to create staff development opportunities and invite attendance at existing staff development functions. For purposes of staff development, the district has participated in the consortium by serving as a staff development training center and by sending staff to off-site training within the consortium. Where openings exist, the latter sessions are often offered free of charge by other member districts.

Apart from the activities of the consortium, the collective bargaining agreement provides that the district pay up to \$800 grant-in-aid for professional development. According to the district's Quality Assurance Annual Report, 10 teachers took advantage of this opportunity in school year 1997-98 by pursuing classes offered at various institutions; the cost to the district was \$8,165. In school year 1998-99, eight teachers sought out professional development activities at a cost of \$5,200 to the district.

**Gifted and Talented**

The district's Gifted and Talented Program for academic and creative enrichment includes kindergarten through sixth grade students. One full-time position is dedicated to this program which operates outside the students' regular classroom.

Based on standardized testing and teacher recommendations, students are invited into the Gifted and Talented Program because they have been identified as “gifted”, “accelerated”, or “creative” students. Students are provided progressively more time in the program as they advance through the grades.

### Special Education

The Cape May City School District presently has, in its Special Education Program, 57 classified students (including 30 students who are classified for Speech). Excluding Speech, of the remaining 27 students, 21 are educated within the district through its Resource Program, five are sent to the Cape May County Special Services School District (CMCSSD) and one is sent to the Department of Human Services-NJ Regional Day School in Cherry Hill.

A three-year distribution of special education students is as follows:

Student Placements	1999-00	1998-99	1997-98
Speech	30	35	39
Resource Program	21	23	19
Out-of-District Public School	0	0	1
Cape May County Special Services District	5	10	7
NJ Regional Day Cherry Hill	1	0	0
<b>Totals</b>	<b>57</b>	<b>68</b>	<b>66</b>

### Out-of-District Placement

During 1998-99, the district had all 10 out-of-district special education students placed at the Cape May County Special Services School District. The total tuition costs for those students was \$138,825. Because only six of these students were enrolled for the entire school year, with the other four students’ attendance varying from 15 to 98 days, the cost per student was calculated at a daily rate. Individual tuition rates and totals were as follows:

Program	#Students	# Days	Daily Rate	Annual Tuition	Total Cost
Multiply Handicapped	3	180	\$99.88	\$17,979	\$53,937
Multiply Handicapped	1	62	\$99.88	\$6,193	\$6,193
Multiply Handicapped	1	15	\$99.88	\$1,498	\$1,498
Multiply Handicapped	1	83	\$99.88	\$8,290	\$8,290
Multiply Handicapped	1	98	\$99.88	\$9,789	\$9,789
Preschool Handicapped	2	180	\$88.04	\$15,847	\$31,694
Day Training Eligible	1	180	\$152.35	\$27,424	\$27,424
<b>Total 1998-99 Out-of-District Tuition</b>					<b>\$138,825</b>

Source: 1998-99 DOE List of Students by CSSD

In addition, CMCSSD billed the district approximately \$19,350 for two one-on-one aides at \$53.75 per day and approximately \$7,000 for Summer Camps.

### **Self-Contained Classrooms**

The district has no self-contained special education classrooms. All in-district special education is done through the district's Resource Program.

### **Resource Program**

All of the special education students who are placed in-district are instructed through the district's Special Education Resource Program. The resource program consists primarily of in-class support instruction. This is a team teaching method where the general education instructor and the resource program instructor are in the classroom at the same time. The general education instructor has the primary responsibility of presenting the material to the entire class and the resource program instructor provides support instruction so that the special education students can meet specific standards of achievement within that program. Occasionally, when warranted, students are "pulled-out" and given resource program instruction outside of the general instruction classroom. There are two full-time resource program instructors who divide their time among the K-6 grades, as resource program instruction is needed. Total salaries for the 1998-99 school year for the two instructors and the special education coordinator were approximately \$94,000, with approximately \$14,000 paid out of Regular Instruction, and \$22,000 paid out of IDEA Part B funding.

### **Speech Instruction**

Of the 30 students eligible for speech instruction, 13 receive speech instruction as a related service and four are classified for speech instruction only. There are also 10 students from the local non-public school, Our Lady Star of the Sea, who receive speech instruction from the Cape May City School District. During 1998-99 there were 35 students eligible for speech instruction. There were also 12 students from Our Lady Star of the Sea who received speech instruction that year. The speech instructor is employed by the district for four days per week. The salary for speech instruction for 1998-99 was \$35,210, with approximately \$29,000 paid out of Other Support Services-Regular Programs, and \$6,000 paid out of IDEA Part B funding.

### **Child Study Team**

Due to the small student population, the Child Study Team's (CST's) full-time staff is composed of one learning disability teacher/consultant who is also the child study team chairperson. The school psychologist and social worker are sub-contracted from another school district. In addition, the district refers students to an audiologist and a neurologist as is deemed necessary. During the 1998-99 school year, there were 17 referrals to the CST, and, of these, 12 resulted in classifications. There were also 10 re-evaluations during the year. Total costs for support services-special education during 1998-99, including the Child Study Team chairperson's salary were \$76,903.

The chart below displays significant data regarding the special education programs in Cape May and the comparable districts used for this report.

<b>Comparable School Districts</b>				
	<b>Cape May City</b>	<b>Chesterfield Twp.</b>	<b>Mansfield Twp.</b>	<b>Long Beach Island</b>
Total Student Population	245	261	344	382
% Special Ed. Students (excluding Speech)	10.70%	8.40%	12.50%	13.10%
# Special Ed. Students	26	22	43	50
Instructional Costs	\$57,557	\$99,515	\$141,096	\$265,584
Undistributed Expenditures (Out-of-District Tuitions)	\$142,740	\$26,058	\$78,655	\$109,272
Support Services-Spec. Ed.	\$70,583	\$76,590	\$75,812	\$124,045
Transportation-Spec. Ed.	\$30,426	\$11,519	\$15,103	\$54,431
Total Special Education	\$301,305	\$213,682	\$310,666	\$553,332
Cost Per Spec. Ed. Student	\$11,494	\$9,746	\$7,225	\$11,057
Source: 1997-98 Comprehensive Annual Financial Reports				

Due to the small size of the district, the type of classification of out-of-district placements and certain minimal essential services may result in a higher cost per student. However, the district is to be commended for the resourceful manner in which it staffs, schedules and funds the special education program.

### **Special Education Medicaid Initiative (SEMI)**

As a result of the LGBR review of the Cape May School District, it was found that the district is not participating in the Special Education Medicaid Initiative (SEMI) Program. This revenue initiative would enable the district to claim reimbursement for certain related services provided to Medicaid-eligible special education children.

The enrollment process has now been initiated and the Department of Education, Office of Special Education Programs has forwarded a copy of Cape May City's Application for Certification to the Chief School Administrator. This document requires agreement to participate in the SEMI program by the school board. The next step involves completion of the application for a Medicaid provider number. Technical assistance is available in completing both of these forms.

SEMI participation should generate approximately \$2,000 each year. Claims may be filed retroactively for one year bringing the total savings to \$4,000 for the school district in the first year of participation.

**Basic Skills Improvement Program (BSIP)**

The Cape May School System presently has a total of 31 students in its Basic Skills Improvement Program (BSIP). That is 16 % of the student population. Multiple criteria are utilized to select students for this program. Included are the California Achievement V Test, the Multiple Measure Form and the Affective Domain Checklist along with student records and teacher recommendations.

Instruction is provided by in-class support (inclusion), and instruction time averages 90 minutes per day. Staffing consists of one full-time basic skills instructor and one part-time instructor.

The number of basic skills needs assessments has remained stable for the past few years and it should be noted that the significantly high mobility rate in this school system results in students entering and leaving the program during the course of the year. Ten to 15 percent of the students test out of BSIP each year.

Reviewing the Comparative Statement of Revenues, Expenditures and Changes in Fund Balance for fiscal years ended June 30, 1998 and 1997 shows a significant decrease (\$19,793.32) in general fund money spent for basic skills/remediation.

**Basic Skills/Remedial – Instruction**

	<b>1998</b>	<b>1997</b>
Salaries of Teachers	\$8,868.34	\$26,352.23
Other Salaries for Instruction	\$10,259.00	\$12,446.04
General Supplies	\$965.13	\$992.54
Textbooks	\$192.17	\$261.57
Other Objects	\$257.99	\$283.57
<b>Total Basic Skills/Remedial</b>	<b>\$20,542.63</b>	<b>\$40,335.95</b>

**Limited English Proficiency (LEP)**

The LEP program in Cape May is relatively new. It was in the 1997-98 school year that the district first qualified for State aid (\$5,902) to address the need for LEP assistance. There are presently eight LEP students and the number has increased over the past two years. The majority of these students are Spanish-speaking. Instruction for these students is provided by the speech and language therapy teacher, the basic skills instructors and the guidance counselor. Each student averages 90 minutes of assistance per week, most of which is provided by inclusion.

**Guidance**

Guidance counseling services are provided by a staff member who works 60% of her time as a guidance counselor and 40% of her time as a basic skills instructor. In addition to providing individual and small group counseling, assisting with the LEP students and communicating with parents as needed, she provides classroom instruction in such areas as decision-making and problem solving, study skills and test taking skills. The counselor also serves as coordinator for

all standardized testing for the district. One other function, which is on-going throughout the school year due to the exceptional amount of transience in this district, is the testing and placement of newly enrolled students.

### **Library**

The school has a spacious library, which is open for the duration of the school day. Collections are current and paper supplies, books, magazines and software are purchased each year to meet the needs of the students. Each class spends two periods per week in the library; one with the librarian and one with both the classroom teacher and the librarian. Activities include story reading, art-related activities (e.g., print making,) and book borrowing for the lower grades, and library skill development and research for the upper grades.

There are some programs which go beyond the bounds of the school library such as the CRAB (Cape Read A Book) Program, and students commonly use both the local municipal library and the larger county branch in Cape May Court House. The school library's card catalog was just recently automated and one goal of the librarian is to make it possible for students to access the catalog from their individual classrooms.

Staffing consists of one full-time librarian and an aide who spends about 1.5 hours per day assisting in the library. There have also been volunteers who have offered their time and assistance over the years. The librarian perceives the school board and administration as being very supportive of the library.

### **Extracurricular Activities**

Cape May Elementary School offers various extracurricular activities. Students can participate in student government, several clubs (including the Safety Club, the Quill Club and the Drama Club), publications (including the yearbook and newspaper), chorus and an athletic activities program. Most of the extracurricular activities take place weekly with the athletic activities meeting twice per week. By contract, teachers receive \$400 stipends for sponsoring activities; with the athletic activities sponsor receiving \$800. The district expended \$8,000 for co-curricular activities in the 1997-98 school year.

### **Health Services**

Health services for the Cape May elementary students are provided by one full-time certified school nurse and a school physician who has a contract, which is renewed each year. The physician provides physicals for the students and staff and is also available for consultation on health issues. The nurse's primary functions include providing student assistance (e.g., first aid and medical checks), administering individual medications, teaching "family life" for grades four through six and providing instructional assistance to teachers as needed, screening for physicals (e.g., vision, hearing, etc.), coordinating inoculations, immunizations, etc., administering the state fluoride program and making referrals as needed. She also performs all of her own clerical work.

By performing a number of services for special needs and at-risk students in the district, half of the nurse's salary comes from federal funding through the Improving America's Schools Act

(IASA). As a result, the cost to the school district for health services has been greatly reduced; it went from \$40,175.20 in 1997 to \$17,432.97 in 1998. The guidance counselor provides similar services for the “at-risk” and special needs students and, as a result, a portion of her salary also comes from IASA, again realizing a savings for the district. Health services for the Cape May district account for only .7% of its budget, which is the lowest of the districts used for comparison in this report.

## **BUSINESS OFFICE OPERATION**

### **Business Office**

The business office shares space with the district’s administrative staff and the school administrative staff in a small group of offices in the district’s one school. Primary functions include budgeting, accounting, purchasing, inventory control, accounts payable, and payroll. The business office staff consists of two full-time employees, the business administrator/board secretary and the assistant board secretary; and utilizes the school secretary when needed (less than 10% of her time). The total costs associated with the business office for 1997-98 and 1998-99 are listed below.

	<b>1997-98</b>	<b>1998-99</b>	<b>% Increase</b>
Salaries -			
BA/Board Secretary	\$47,000	\$49,000	4.26%
Asst. Board Secretary	\$29,340	\$30,450	3.78%
Total Salaries	\$76,340	\$79,450	4.07%
Purchases Technical Services	\$8,405	\$8,740	3.99%
Business Administration Supplies	\$3,268	\$4,089	25.15%
Board Secretary – Misc. Expenses	\$3,787	\$5,345	41.14%
Int. on Lease Purchase	\$0	\$118	
Board Share SS	\$29,086	\$32,241	10.85%
Benefits	\$186,086	\$194,087	4.30%
Workers’ Compensation	\$16,744	\$16,953	1.25%
Retirement	\$0	\$21,059	
Water & Sewer	\$8,690	\$4,138	-52.39%
Miscellaneous Bills	\$1,221	\$1,230	0.74%
<b>TOTAL COSTS</b>	<b>\$333,627</b>	<b>\$367,449</b>	<b>10.14%</b>

### **Purchasing**

Due to its small size the district does not require a full-time purchasing agent. The purchasing process in general is defined in Section 3004 of the Board Policy Manual, and further defined in the manual describing the administrative secretary’s position. Section 3004 gives the superintendent and the business administrator the authority to purchase under state contract whenever possible. The district does go out for bid on large expenditures, and will occasionally bid office and custodial supplies to ensure they are getting the best prices. The majority of purchases are made in January for the upcoming school year, after the budget has been

completed. Dollar amounts are allocated and distributed to pertinent staff members along with order forms from state-contracted suppliers. Staff members prepare order forms, which are then verified and approved by the business administrator and the superintendent. The assistant board secretary then assigns purchase order numbers and the proper accounts are encumbered. The school secretary then types the actual purchase orders. The district processes between 800 and 900 purchase orders annually.

### **Inventory and Fixed Assets**

The recent conversion to Generally Accepted Accounting Principles (GAAP) for New Jersey school districts mandated that all districts set up a General Fixed Asset Group of accounts and provide an inventory method to quantify the historical cost of fixed assets for the district.

The Cape May City School District has an inventory list, which is compiled and maintained by the business office. A clerical staff member is responsible to key in the data for all permanent fixed assets valued at over \$500. There is no inventory record for assets valued at less than \$500.

Inventory stock and appraisal fixed asset lists provide organizations with valuable information. They not only list public assets, but also can help to identify theft, establish consumption guidelines, and prevent unnecessary purchasing. An incomplete inventory listing makes it difficult to identify a loss and to determine proper insurance coverage for the district.

A review of the district's fixed asset inventory list was conducted. The team found that school equipment, such as computers, fax machines, etc., were never tagged for identification purposes. The district is aware that its fixed assets should be reconciled to the ledger, which is not currently the case. District officials told LGBR that they are considering using the Asbury Park System to correct this problem in the coming year. The team supports this idea.

Each year Cape May County organizes a cooperative public auction to sell its unused property. The county allows local townships and school districts to join this event. The Cape May City School District actively participates in this auction and saves time and manpower by selling its unused property through this cooperative public auction. The review team supports this idea. However, there is no indication that the district has a policy to specify the procedures for disposal of unused property.

### **Recommendations:**

**Since the district has never obtained a professional appraisal of its fixed assets, the team recommends that the board consider contracting out a full revaluation of the district's property inventory and accounting cost records.**

**One-time Value Added Expense: \$15,000**

**The district should compile two different types of inventories. The first, which quantifies items valued at over \$500, results from a professional appraisal performed every five to seven years. The second inventory identifies items valued at less than \$500, the appraisal**

**threshold. These inventory lists can aid the district to: identify its property holdings and their location; determine the value of its assets; obtain appropriate insurance coverage; maintain inventory control; and provide proof of ownership for insurance claims. The school principal should be held accountable to identify the location and condition of all district property assigned to his/her school. All fixed assets should be tagged for identification purposes.**

**It is recommended that the district establish a policy to specify the procedures for disposal of unused property in order to ensure full usage and proper disposal.**

### **Accounts Payable**

As bills come due, the assistant board secretary ensures that all purchase orders have a signed voucher and invoice. The information from these purchase orders is then input into the computer system and a bills list is generated for the next board meeting. When the bills list is approved by the board, the assistant board secretary submits the information to Asbury Park to be printed. When checks are returned to the district they are reviewed for accuracy, signed by the superintendent and business administrator, and either the treasurer or the board president, and then mailed to the vendors. Copies of purchase orders, vouchers, and invoices are then filed alphabetically by vendor.

### **Recommendation:**

**Although the review team does not find costs for supplies to be excessive, LGBR recommends that the district investigate purchasing from alternative sources. The New Jersey Department of Treasury's Distribution and Support Services area can provide supplies and materials at 30-50% less than many other sources.**

### **Payroll**

The payroll function serves all of the approximately 67 employees of the Cape May City School District. This includes 36 full-time employees, 23 substitutes and aides, and eight part-time employees within the district. Payroll is processed bi-weekly with the support of the salary coordinator from the district. The salary coordinator verifies all payroll changes, such as non-paid absences, and manually enters these into the system. The district uses the "Asbury Park System," for payroll, a software package connected to the Asbury Park Board of Education computer center. The system, offered by the Asbury Park Board of Education, runs the regular payroll automatically and allows the district easy access to retrieve individual payroll files. During payroll cycles, the payroll data is transmitted to Asbury Park through modem. Checks are printed by the Asbury Park System and shipped to the district for distribution.

The district also uses the Asbury Park System for budgetary accounting, personnel record keeping and student attendance. The district paid a total of \$8,490 in fiscal year 1998 for use of this system, which included \$2,820 for the payroll and personnel service. The district offers employees a direct deposit payroll service. Approximately 20 employees used the direct deposit service. Each pay period, the district processes 44 to 58 pay checks totaling more than \$70,000.

The review team's examination of payroll revealed that the school physician's \$1,000 professional fee was paid through the district's payroll system. Since the school physician is not an employee of the school district, it is not appropriate to pay his professional fees through the district's payroll. Additionally, the district had to pay a payroll tax (\$130) even though there is no taxable employer-employee relationship. If the professional fee is paid through the voucher system, the district can realize a saving of \$130 in payroll tax.

**Recommendation:**

**The review team recommends that professional fees be paid through the voucher system rather than the payroll system.**

**Cost Savings: \$130**

**Payroll Agency**

In addition to processing the payroll, the assistant board secretary is also responsible for mailing the payroll agency checks on a monthly basis. These include payroll deductions for Social Security contributions, wage garnishments, tax liability, insurance premiums, pension contributions, and any other deductions employees may have from their pay.

The business office has various additional responsibilities, which include distributing board meeting agenda and taking minutes. Minutes are handwritten by the board secretary and any policy changes are updated in the policy manual. The assistant board secretary is responsible for survey letters to update the number of students for whom the district receives Impact Aid and, in addition, is responsible for student attendance reports, reconciling the cafeteria journals, arranging field trips, and collecting reimbursements for personal telephone use.

**General Administrative Costs**

A comparative review was conducted of the function 230 – Support Services General Administration account and School Administration account for fiscal year 1998 for the Cape May City, Long Beach Island, Chesterfield Township and Mansfield Township school systems. This function includes expenses associated with the board of education. The review revealed the following costs for fiscal year 1998 based on the 6/30/98 Audit Report:

	<b>Cape May</b>	<b>Long Beach Island</b>	<b>Chesterfield</b>	<b>Mansfield</b>
Salaries	\$47,267.12	\$67,464.87	\$43,050.00	\$91,060.00
Legal Services	\$1,641.50	\$15,739.35	\$608.00	\$2,326.00
Other Purchased Professional Services	\$11,188.75	\$41,713.82	\$7,200.00	\$2,905.00
Purchased Technical Services				
Communications/Telephone	\$21,029.21	\$14,949.29	\$6,095.00	\$7,434.00
Other Purchased Services	\$1,948.49	\$7,779.20	\$2,766.00	\$4,885.00
Supplies and Materials	\$911.10	-	\$7,122.00	-
Miscellaneous Expenditures	\$13,112.96	\$12,741.01	\$9,172.00	\$8,626.00
<b>Total Support Services General Admin.</b>	<b>\$97,099.13</b>	<b>\$160,387.54</b>	<b>\$76,013.00</b>	<b>\$117,236.00</b>

The Cape May City School District's communications/telephone costs and miscellaneous expenditures are ranked highest among the comparable districts. Cape May Elementary School

is a member of the National Association for Federally Impacted Schools (NAFIS) and the Military Impact Schools Association (MISA) which serve as resources to the district. Membership dues for these organizations, \$799 and \$4,000 respectively in fiscal year 1998, are reported in the miscellaneous expenditure category. This contributes to making Cape May's miscellaneous expenditures higher than those of the comparison districts.

A comparison of per pupil costs for general administration expenditures (function 230) for fiscal year 1998 for Cape May City and the comparable school districts revealed the following:

	<b>Long Beach</b>			
	<b>Cape May</b>	<b>Island</b>	<b>Chesterfield</b>	<b>Mansfield</b>
Salaries	\$196.95	\$175.23	\$168.16	\$251.55
Legal Services	\$6.84	\$40.88	\$2.38	\$6.43
Other Purchased Professional Services	\$46.62	\$108.35	\$28.13	\$8.02
Purchased Technical Services	\$0.00	\$0.00	\$0.00	\$0.00
Communications/Telephone	\$87.62	\$38.83	\$23.81	\$20.54
Other Purchased Services	\$8.12	\$20.21	\$10.80	\$13.49
Supplies and Materials	\$3.80	\$0.00	\$27.82	\$0.00
Miscellaneous Expenditures	\$54.64	\$33.09	\$35.83	\$23.83
<b>Total Support Services General Administration</b>	<b>\$404.58</b>	<b>\$416.59</b>	<b>\$296.93</b>	<b>\$323.86</b>

This data reflects that, using the function 230 figures from the 1997-98 audit report, the per pupil administrative costs for Cape May City were \$404, as compared with \$416 for Long Beach Island, \$296 for Chesterfield and \$323 for Mansfield School District. Cape May City's general administration costs were the second highest among the comparable districts.

### **Surplus**

Surplus is the amount of money held in reserve and remaining when current year revenues have exceeded expenditures. Surplus is included in a district's budget in order to provide funds for emergencies or other unanticipated expenditures which are beyond the board's control. Sound financial controls are required to ensure that surplus funds are accurately estimated and used according to established guidelines.

The Comprehensive Education Improvement and Financing Act (CEIFA) 18A:7F1 through 18A:7F-34, which became effective December 20, 1996, establishes a maximum allowable undesignated surplus of 6%. In accordance with N.J.S.A. 18A:7F-7, undesignated surplus that is over the allowable maximum is to be appropriated for budgetary purposes. Districts are allowed to exclude federal Impact Aid reserved for excess surplus and designated for subsequent year's expenditures, before calculating the 6% undesignated surplus. The state does not stipulate the minimum amount of surplus a district should maintain; however, since revenues, such as Impact Aid, are not always received on a timely basis and expenditures may vary from month to month, the district must anticipate its cash flow needs throughout the year.

The district's ability to estimate surplus accurately is a function of its success in establishing sound financial controls. The controls can further ensure corrective actions when significant deviation from these estimates occurs.

Tracking trends in revenues, expenditures, and annual surplus can assist districts in estimating surpluses accurately. When district personnel prepare the budget, they know fairly precisely the amount of revenue the district will receive for the upcoming year. Over the past three years (1995-96 through 1997-98), the Cape May City School District's revenue from local tax levy as a percent of total general fund revenue ranges from a low of 56.7% to a high of 64.6%, federal aid from 26.4% to 33.17%, and state aid from 3.95% to 5.59%. Tuition revenues provided 1.85% to 2.35% of the general fund revenue, interest on investments from .5% to 3.6% and miscellaneous revenue approximately 1%. The following table illustrates the district's revenue distribution over the past three years for the general fund.

<b>General Fund</b>	<b>1995-96</b>		<b>1996-97</b>		<b>1997-98</b>	
	<b>Actual</b>	<b>%</b>	<b>Actual</b>	<b>%</b>	<b>Actual</b>	<b>%</b>
Local Tax Levy	\$1,932,838	64.60%	\$2,005,733	61.54%	\$1,757,812	56.70%
Tuition	\$70,200	2.35%	\$60,358	1.85%	\$59,698	1.93%
Interest on Invest.	\$15,060	0.50%	\$84,759	2.60%	\$111,582	3.60%
Misc.	\$34,140	1.14%	\$29,709	0.91%	\$20,011	0.65%
State Aid*	\$149,875	5.01%	\$182,359	5.59%	\$122,591	3.95%
Federal	\$790,036	26.40%	\$896,574	27.51%	\$1,028,413	33.17%
Total Revenue	\$2,992,149	100.00%	\$3,259,491	100.00%	\$3,100,107	100.00%

Over this period, the local tax revenues received by the district were exactly those budgeted. Projected interest on investments, tuition, federal aid, state aid and miscellaneous revenue varied by different amounts. For school years 1995-96 and 1997-98, the federal aid revenue underestimates ranged from a low of \$357 or .05% to a high of \$344,677 or 50.41%. The miscellaneous revenue was underestimated \$20,640 or 152.89% in 1995-96 and \$5,511 or 38.01% in 1997-98. In school year 1996-97, miscellaneous revenue was overestimated \$7,291 or 19.71%. Interest on investments was overestimated \$4,440 or 22.77% in 1995-96 and underestimated 643.88% in 1997-98. The district did not project interest on investments for school year 1996-97, but actually received \$84,759. Tuition revenue was overestimated by .92% in school year 1997-98. The total actual expenditures for the general fund in school years 1995-96 and 1997-98 were approximately the same. The district's expenditures increased \$267,342 or 8.9% from school year 1995-96 to 1996-97 and decreased \$159,384 or 4.9% from school year 1996-97 to 1997-98.

In 1997-98, the Cape May City School District expended approximately 57% of the general fund for salaries. Except during contract renewal years, the district should be able to determine, with reasonable accuracy, the budgeted amount needed for salaries; however, salary estimates can often be higher than actual expenditures as a result of resignations, retirements, etc., which may occur after the budget has been adopted. The other 43% of the general fund budget is more variable, although budget projections can be determined through the use of multi-year contracts, purchase agreements and by examining the history of prior revenues.

The following table illustrates the difference between the district's budgeted and actual revenues, expenditures, and surplus in general fund for school years 1995-96, 1996-97 and 1997-98.

	1995-96			1996-97			1997-98		
	Budget	Actual	Var. in %	Budget	Actual	Var. In %	Budget	Actual	Var. in %
Local Tax Levy	\$1,932,838	\$1,932,838	0.0%	\$2,005,733	\$2,005,733	0.00%	\$1,757,812	\$1,757,812	0.0%
Interest on Investments	\$19,500	\$15,060	-22.77%	\$0	\$84,759	N/A	\$15,000	\$111,582	643.88%
Tuition	\$70,200	\$70,200	0.00%	\$60,358	\$60,358	0.00%	\$60,253	\$59,698	-0.92%
State Aid	149,875	\$149,875	0.00%	\$182,359	\$182,359	0.00%	\$122,567	\$122,591	0.02%
Federal	\$789,679	\$790,036	0.05%	\$896,574	\$896,574	0.00%	\$683,736	\$1,028,413	50.41%
Miscellaneous	\$13,500	\$34,140	152.89%	\$37,000	\$29,709	-19.71%	\$14,500	\$20,011	38.01%
Total Revenue	\$2,975,592	\$2,992,149	0.56%	\$3,182,024	\$3,259,491	2.43%	\$2,653,868	\$3,100,107	16.81%
Total Expenditures	\$3,542,922	\$2,426,206	-31.52%	\$3,729,494	\$2,718,060	-27.12%	\$2,959,470	\$2,434,938	-21.54%
(O)/U Expend	(\$567,330)	\$565,943	199.76%	(\$547,470)	\$541,431	198.90%	(\$305,602)	\$665,169	317.66%
Other Financial Source	\$0	\$0	0.00%	(\$75,025)	(\$73,005)	0.00%	(\$68,198)	(\$47,516)	(20,682)
Surplus or (Deficit)	(\$567,330)	\$565,943	199.76%	(\$622,495)	\$468,426	175.25%	(\$373,800)	\$617,653	265.24%
Beg. Fund Balance	\$1,164,691	\$1,164,691	0.0%	\$1,730,634	\$1,730,634	0.0%	\$2,199,060	\$2,199,060	0.00%
Ending Fund Balance	\$597,361	\$1,730,634	189.71%	\$1,108,139	\$2,199,060	98.45%	\$1,825,260	\$2,816,713	54.32%
Fund Bal./Total Exp.	16.861%	71.331%	N/A	29.713%	80.905%	N/A	61.675%	115.679%	N/A

In 1995-96, to fund \$3.5 million in projected expenses, the board appropriated \$567,330 from its \$1,164,691 surplus balance, leaving a projected surplus of \$597,361 (16.86% of the projected general fund budget amount). According to the CAFR, the district under-spent the budget by \$565,943, which generated a surplus of \$1.7 million. As a result, the district's projected general fund surplus of 16.86% became a surplus of 71.33%. For the 1996-97 budget, the board appropriated \$622,495 from surplus and estimated an end-of-year surplus balance of \$1,108,139 (29.71%). However, by the conclusion of the budget year the district had realized savings of over \$541,431. This generated an actual surplus balance of 80.91% of the budgeted expenses. During the 1997-98 budget, the board estimated a \$1.8 million surplus, but instead actualized a \$2.8 million or 115.67% surplus. Most of the school year 1997-98 surplus is due to overestimation of salaries (25%) and tuition to County Special Services (17%).

While the Cape May City Board of Education has, in fact, maintained its undesignated surplus balance below the statutory 6%, inaccurate budget estimates are one cause of a growth in the surplus balance. District officials noted to the review team that federal Impact Aid is received late in the school year, causing much of this money to be designated as surplus. Nevertheless, the district has budgeted federal Impact Aid with great precision over the past several years, a fact that should help in the budget process. Most difficult for budgetary purposes, however, is the tenuous nature of Impact Aid. As explained to the review team, those districts receiving these moneys fear cutbacks in the program whose existence is debated annually. Despite the hardship of this uncertainty, the review team finds the 1997-98 estimated total general fund surplus of \$2.1 million in a \$2.4 million budget to be excessive.

The review team believes that the district should strive to achieve more accurate estimates through improved budgeting procedures. The high transient rate brought about by recent Coast

Guard base activities makes it more difficult for the district to project expenditures; however, looking back over the district's past expenditures, revenue and budgeting practices, the district should be able to reduce the variance.

### **Recommendation:**

**The district should develop long-range plans to lower its total surplus amount. This may be done in a number of ways. The review team recommends that, in its planning, the district consider appropriating a larger portion of its general fund balance in order to provide tax relief. The district should also strive to develop budgeting methods that result in more accurate annual estimates of the expenditures and surplus balances.**

### **Cash Management**

The team reviewed the checking and savings accounts maintained by the Cape May City Board of Education for the purpose of identifying possible ways the district can increase interest income and reduce the costs associated with the operation of its bank accounts. Our review focused on cash flow, interest rates, investable balances, and cost of services. During the 1998-99 school year, the district maintained average monthly balances totaling \$2,965,756 in its five checking accounts, two savings accounts, and two certificates of deposit maintained at two separate banks.

The majority of the district's balances, \$2,871,638, was maintained at one bank. There were three checking accounts, one each for the general fund, payroll and payroll agency funds, which were linked together for interest and service charge analysis; and two certificates of deposit that were also part of the general fund. There was also a stand-alone savings account for the district's construction fund with a balance of \$33,443.

In addition, the district maintained two checking accounts for food service and debt service, and one savings account for their unemployment fund, at a second bank. Average monthly balances in these accounts totaled \$60,675.

Our review of cash receipts and disbursements determined that the district had more than sufficient cash on hand to meet obligations. As shown in Table 1, the district's needs for additional cash in any given month during 1998-99 did not exceed \$163,532. In fact, for seven months during the year, net cash needs were less than \$100,000. This left remaining balances ranging from \$2,397,105 to \$3,867,277 that were available for investment; however, the district's investment in higher rate CD's averaged less than \$455,000 throughout the year. One of the general fund CD's had an average balance of \$529,487.51, but was invested for only 326 days during 1998-99 and earned total interest of \$22,807.55 for an effective rate of 4.8%. The other general fund CD had a balance of \$171,690, but it was invested for only 126 days and earned total interest of \$2,704.12 for an effective rate of 4.5%.

**Table 1**

<b>Cape May City</b>					
<b>Cash Flow Analysis</b>					
	<b>Avg. Balance</b>	<b>Cash</b>	<b>Cash</b>	<b>Net</b>	<b>Investable</b>
	<b>All Funds</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Cash Needs</b>	<b>Balances</b>
Jul-98	\$3,030,124.25	\$194,952.45	\$194,112.44	\$840.01	\$3,030,964.26
Aug-98	\$3,123,710.14	\$181,610.76	\$118,168.73	\$63,442.03	\$3,187,152.17
Sep-98	\$3,051,677.12	\$308,740.59	\$421,935.07	(\$113,194.48)	\$2,938,482.64
Oct-98	\$2,887,310.40	\$340,593.55	\$489,444.46	(\$148,850.91)	\$2,738,459.49
Nov-98	\$2,806,760.65	\$329,114.72	\$455,166.41	(\$126,051.69)	\$2,680,708.96
Dec-98	\$2,560,637.43	\$433,325.32	\$596,857.54	(\$163,532.22)	\$2,397,105.21
Jan-99	\$2,541,244.81	\$345,741.23	\$376,990.13	(\$31,248.90)	\$2,509,995.91
Feb-99	\$3,207,575.80	\$1,076,388.22	\$416,686.30	\$659,701.92	\$3,867,277.72
Mar-99	\$3,149,854.70	\$441,016.70	\$496,287.29	(\$55,270.59)	\$3,094,584.11
Apr-99	\$3,121,394.10	\$302,906.30	\$328,813.91	(\$25,907.61)	\$3,095,486.49
May-99	\$3,065,969.21	\$352,677.25	\$381,393.72	(\$28,716.47)	\$3,037,252.74
Jun-99	\$3,042,821.25	\$521,255.83	\$626,587.29	(\$105,331.46)	\$2,937,489.79

**Recommendation:**

**The district should monitor cash flow in an effort to identify maximum investable balances and thereby increase interest earnings. Investments of excess cash in a cash management fund would not be subject to a reserve requirement.**

Combined analyses of bank service charges and interest paid on the general fund, payroll, and payroll agency accounts are detailed in Table 2. Stated rates at which interest was paid on these accounts during 1998-99 were unavailable, but through discussions with the bank’s governmental banking representative, the team was able to determine how the bank calculated interest through their Monthly Analysis Statements, and thereby determine the effective monthly rates. The district earned interest at an average rate of 3.99% (1) on these accounts during 1998-99. The construction fund earned interest at a rate of 2.3%. In comparison the average rate for the same period through the State’s Cash Management Fund was 5.15% (2) and the average 91-day T-Bill rate was 5.06% (3). Additionally, the bank calculated interest on the Average Collected Balances (4) after deducting for a 10% Reserve Requirement (5). This reduced the amount available for investment, thereby reducing earned interest.

A review of the bank’s service charges revealed that they are in line with other banks in the area, however, the bank used compensating balances (6) to offset service charges. This also reduces investable balances, and whenever available interest rates are higher than earnings credit rates, as was the case for the district in 1998-99, there would be a net benefit from paying for service charges outright and investing the compensating balances.

**Cash Management Table 2  
Cape May City  
Analysis of Interest and Service Charges 98-99  
General Fund, Payroll, and Agency Accounts**

Average Ledger Balance	\$2,363,632	
Less: Average Uncollected Balance (Float)	\$5,251	
Average Collected Balance	\$2,358,381	(4)
Less: Reserve Requirement 10%	\$235,838	(5)
Average Available (Book) Balance	\$2,122,543	
Collected Balance Required for Serv	\$47,427	(6)
Net Available Balance (Investible)	\$2,079,959	
Total Analyzed Charges for Services	\$1,897	
District Bank Interest Rate	3.99%	(1)
District Interest Earned	\$83,580	
New Jersey Cash Management Fund	5.15%	(2)
Potential Earned Interest NJCMF	\$119,154	
91 Day T-Bill Rate	5.06%	(3)
Potential Earned Interest T-Bills	\$119,208	

Note: Interest rate is 12 month average. Earned interest is a total based on actual days per month.

**Recommendations:**

**The district should issue a Request for Proposal (RFP) on an annual basis to ensure it is receiving the best rates and lowest charges on its bank accounts. The district should also limit balances in accounts that require reserves to maximize investable balances.**

**In addition, the district should explore alternative investment vehicles, which do not have a reserve requirement, for balances in excess of what is needed to meet current obligations.**

**The district should monitor the effects of compensating balances and consider paying for banking services outright when interest rates exceed earnings credit rates.**

**Revenue Enhancement: \$30,000 - \$35,000**

The funds held at the second bank were analyzed in a similar manner, but due to the lower balances kept in these accounts, they had much less impact on total interest earned by the district. However, the same recommendation made for the general fund accounts holds true for these accounts. The unemployment fund had minimal activity and earned interest at an average rate of 2.86% for a total of \$961.15. The food service and debt service accounts were linked for interest and service charge analysis. Monthly analysis statements were only available for five months; the interest rate over that time averaged 2.08%.

**Recommendation:**

**The district should review its smaller, low activity accounts and combine them with other accounts in an effort to reduce service charges and maximize interest earnings.**

At the time of the team's review, the business administrator had been employed in the district for only a few months. During the interview process, she had indicated that the district was in the process of reviewing their banking relationships, including researching the use of a cash management fund and consolidating smaller, low activity accounts.

**Grants and Special Revenue Funds**

For fiscal year 1998, the Cape May City School District received approximately 7% of its total revenue from federal and state grants, as reported in the special revenue fund. The district received \$164,240 in state aid and \$66,907 in federal aid for a total of \$231,147.

Due to its small size, the district does not employ a grants writer. The administration of federal aid, state aid and grants is one of the many responsibilities of the chief school administrator.

The chief school administrator reports that the district is aggressively seeking additional grants and aid to increase funding for educational programs and to help keep the local tax rate down. This is indeed the case. Additional grant applications and awards indicate that grants such as Goals 2000, Science Systemic Initiative and the Challenge Grant were awarded in fiscal years 1999 and 2000. These additional grants are being utilized to meet educational goals and initiatives.

A review of the grant expenditures indicated that the chief school administrator is also utilizing the grants to offset instructional and operating expenditures. It was noted, however, that the district charged against the grants only limited administrative expenditures. The district also reported residual balances of more than \$50,000, which were carried forward to the next fiscal year. Some of the residual balance could have been charged to the administration of the grants as per the terms of individual grants.

**Recommendations:**

**The board should determine the percentage of time administration devotes to each grant or other source of aid and allocate the appropriate salary percentage to the preparation, administration, and evaluation to the grant funding to offset additional operational expenditures.**

**During the review of facilities, it was determined that the school was under-utilized and has the excess capacity to house additional programs which could conceivably be funded by new grants.**

**To assist in the effort to obtain further grants, the district should consider using additional professional grant writing services either for a fee or as a percentage of the grant. This would allow for seeking additional grants as well as for more diversification of grants.**

**SERVICE CONTRACTS**

**Legal Fees**

The Cape May City School District has utilized the legal services of the same attorney from a local firm for more than 10 years. The district is very satisfied with the service it receives from this attorney. The board appoints legal counsel each year through resolution. The district paid the attorney an annual retainer of \$1,200 in school year 1997-98 for attending school board meetings. For other services, the board attorney was compensated \$85 per hour. All legal fees were paid through the voucher system. The district does not have a written contract with the board attorney outlining the duties to be performed and the services covered by the retainer fee.

An analysis of the district's legal expenses over the past two years, 1996-97 and 1997-98 indicated expenditures totaling \$1,917 and \$1,642 respectively. The district has tried to keep its legal fees to a minimum and has succeeded in obtaining competitive rates.

**Recommendation:**

**The board should consider entering into a written agreement with its legal service provider to specify the nature and extent of services agreed upon.**

**Auditor Fees**

An auditor fee is included as part of the general administration cost, which is recorded in the "other purchased professional services" category. This district has utilized the services of the same auditor for its annual audit for more than nine years. The district expended \$12,100 in 1997-98 for audit fees, which included \$9,400 to perform the statutory audit and prepare the Comprehensive Annual Financial Report (CAFR), and \$2,700 for the capital outlay audit. The district does not go out to bid for auditing services.

The review team conducted a comparative review of auditor fees paid by the Cape May City, Chesterfield, Lower Cape May Regional, Long Beach Island, Egg Harbor, Monroe and Mansfield school districts. With the exception of the Mansfield School District, Cape May City Board of Education is paying the lowest auditing services fees.

Following are comparisons of basic rates for audit expenses of selected comparable school districts for 1997-98.

<b>Cape May City</b>	<b>Chesterfield</b>	<b>Lower Cape May Regional</b>	<b>Egg Harbor</b>	<b>Monroe</b>	<b>Mansfield</b>
\$12,100	\$12,500	\$16,000	\$16,500	\$14,700	\$9,250

**Recommendation:**

**The district should consider seeking requests for proposals for the purpose of promoting competitive audit fees from different accounting firms.**

**INSURANCE**

**Health Insurance**

(See Section III. Collective Bargaining Issues)

**Property and Casualty Insurance**

The Cape May City School District is covered by a joint insurance fund for workers' compensation and its other property and casualty needs. Since it is a small district, almost any claims could conceivably have dramatic impact upon the district. For workers' compensation, the district is paying \$17,700 and for the package policy the district is paying \$10,400. The district also has an umbrella policy and an Errors and Omissions policy. The total cost of these other policies is about \$3,100. The joint insurance fund was selected many years ago because it was the only insurer that offered flood insurance protection to districts on the coastline of New Jersey.

**Workers' Compensation**

The school district is victim to one spike claim in its workers' compensation. One large claim can affect an organization for three years. There are several ways to reduce the costs of workers' compensation, and although there isn't an immediate and direct causation to premium reduction, sound safety measures could result in savings over time. The district believes in this principle and sound safety practices do not prevent all injuries. In spite of this one claim, the joint insurance fund just awarded the district a safety award for safety programs in workers' compensation.

The district completed a safety survey in May, 1999. According to the self-administered survey, the district considers its own performance to be at a level one notch below excellent. However, it

appears that the district needs to be more critical in its own evaluation and approaches to safety. The joint insurance fund recently conducted a safety inspection and found some minor situations that require the attention of the district.

**Recommendation:**

**The district should review the safety evaluation of the joint insurance fund and pursue implementing the recommendations to reduce the overall risk exposure to the district.**

**FACILITIES & OPERATIONS**

**Overview**

The Cape May Elementary School instructional facility consists of approximately 45,000 square feet of space in one educational facility. The general observed condition of the facility is good to excellent. It is apparent that the facility is under-utilized which is a major factor in its present physical condition.

<b>School Facility Profile</b>			
	<b>Type</b>	<b>Enrollment (Present)</b>	<b>Square Footage</b>
Elementary	K – 6	201	45,000

**Custodial Staffing**

As part of the review process, to identify potential cost savings within the district, the review team identified custodial staffing needs using an objective, quantitative, multi-step process based upon the size and use of the facility. The process calls for LGBR to:

- Review any existing district work and time standards for the various cleaning tasks within the school facility.
- Review the custodial labor contracts to determine the number of man-hours within a negotiated workday and then reduce the workday by an inefficiency/rest allowance factor of 25%.
- Obtain floor plans of the facilities and insert task data into the following matrix adopted from “*The Custodial Staffing Guidelines for Educational Facilities*” published by The Association of Higher Education Facilities Officers and “*Good School Maintenance*” published by Illinois Association of School Boards to determine total cleaning time for each facility.

TYPICAL SCHOOL AREAS	AVERAGE SIZE SQ. FT.	CLEANING TIME IN MINUTES
CAFETERIA	10,000	150
CLASSROOMS	1,200	15
CORRIDORS	1,000	5
ENTRANCES	112	5
GYMNASIUMS	10,000	45
LABORATORIES	324	20
LIBRARY/MUSIC	15,000	30
LOCKER ROOMS	1,960	25
OFFICES	1,200	8
OFFICES WITH CARPET	1,200	12
RESTROOMS	150	20
SHOPS/ART/HOME EC.	1,200	30
STAIRWAYS	Per flight	8
TEACHERS' LOUNGES/CAFÉ	1,200	20
AUDITORIUM	10,000	150
MULTIPURPOSE/GYM/CAFÉ	10,000	210
MULTIPURPOSE	2,400	40

Note: The average time standard can be adjusted to reflect actual sq. ft. proportional to the standard sq. ft for an activity.

- Divide this total of minutes by the total man-hour minutes available (after adjusting by the inefficiency factor). The result is the headcount needed to clean the facility.
- Compare actual and computed employee counts to determine if any staffing adjustments can be recommended.

The review team completed the above analysis for the Cape May Elementary School to determine the staffing required to perform night cleaning and to establish daytime requirements for basic (statutory) boiler maintenance and porter services.

During the period of review, the Cape May Elementary School had one head custodian who supervises the custodial staff, provides porter services and performs minor repairs, and two custodians providing daily porter services and night (or split-shift) cleaning of the school as follows:

	Head Custodian/Porter Services	Custodians/Cleaning	Total Custodial Staff
Elementary	1	2	3

According to the above analysis, the district is currently understaffed by one custodian. The district, however, has been able to maintain appropriate cleaning due to creative overlapping of shifts and consistent utilization of a per-diem custodian. Management may want to reevaluate its

present staffing level due to projected increased facility use by the local community and the potential inflow of maintenance work orders to determine if the present staffing will meet future needs.

**The present staffing is maintaining the cleaning needs of the district and the district is to be commended for an effective allocation of custodial personnel.**

### **Cost of Operations**

The review process for identifying potential cost savings within the school district consists of the following:

1. Perform a square footage analysis for the district and compare the cost per square foot against regional benchmarks and other school districts reviewed by Local Government Budget Review teams. (For regional benchmarking, the review team utilizes the *American School and University [ASU]*, a national publication for facilities, purchasing and business administration. The *ASU* performs annual maintenance and operations surveys of school districts around the country. It provides reports on the cost to operate schools [including payroll, outside contract labor, gas, electricity, heating fuel, equipment and supplies, etc.] on a regional level. Region 2 includes New York and New Jersey).
2. Identify and analyze budget lines and accounts that appear to be high in relationship to regional benchmarks and/or other districts.
3. Provide areas for cost savings based upon “best practices” (programs and/or efficiencies identified in other school districts or municipalities that may be applicable in Cape May).

The following table summarizes the Cape May School District’s cleaning, maintenance, grounds and utility costs per square foot for the 1997-98 school year:

<b>Category</b>	<b>Expense (\$)</b>	<b>Expense (\$ Sq. Ft)</b>	<b>Expense (\$ Sq. Ft)</b>
	<b>Cape May</b>	<b>Cape May</b>	<b>OCT 97 ASU</b>
<b>CLEANING</b>			
Salaries	114,991	<b>2.56</b>	1.81
Overtime			
Supplies	25,401	0.56	
<b>Subtotal – Cleaning</b>	<b>140,392</b>	<b>3.12</b>	<b>1.81</b>
<b>MAINTENANCE</b>			
Salaries			.52
Overtime			
Supplies			.27
Contracts	29,881	0.66	.35
Misc.	556	0.01	
<b>Subtotal – Maintenance</b>	<b>30,437</b>	<b>0.68</b>	<b>1.14</b>
<b>Total Cleaning &amp; Maintenance</b>	<b>170,829</b>	<b>3.80</b>	<b>2.95</b>

<b>GROUNDS</b>			
Salaries			.27
Overtime			
Supplies			.08
Contracts			
<b>Subtotal – Grounds</b>			<b>.35</b>
<b>UTILITIES</b>			
Natural Gas	28,601	0.64	.40
Electricity	29,229	0.65	.70
Water Sewer			.18
Other Fuel			.27
<b>Subtotal - Utilities</b>	<b>57,830</b>	<b>1.29</b>	<b>1.55</b>
<b>Total Grounds &amp; Utilities</b>	<b>57,830</b>	<b>1.29</b>	<b>1.90</b>
<b>Total Maint. &amp; Operations</b>	<b>228,659</b>	<b>5.08</b>	<b>4.85</b>
<b>INSURANCE</b>	<b>32,922</b>	<b>0.73</b>	<b>.13</b>
<b>GRAND TOTAL</b>	<b>261,581</b>	<b>5.81</b>	<b>4.98</b>

Source: 1997-98 Comprehensive Annual Financial Report (CAFR)

The budget lines that appeared to be significantly high in relationship to the benchmarks are highlighted in gray and include cleaning salaries and insurance.

#### **Custodial Salaries**

District cleaning salaries are high but this is the result of a fixed salary cost for the head custodian who is required to perform basic (statutory) boiler maintenance, and an additional

\$7,000 of non-facility salary expenses for lunch aides. Overall, utilizing the cleaning staff to perform over 80% of the repair work within the school controls the total cost of cleaning and maintenance. The present costs are within the benchmark tolerance.

**The district is to be commended for effectively controlling facility cost.**

### **Insurance**

A detailed analysis of the insurance accounts indicates that the district's facility insurance is within benchmarks. The difference in insurance cost was largely due to the district reporting non-facility insurance expenses (i.e., workmen's compensation) in the CAFR Operating and Maintenance of Plant Services, Maintenance Services account. When these charges were backed out (approximately \$29,000) for analysis purposes, the total amount for facility insurance fell below the benchmark. In the FY1998-99 expenditure reports, these expenditures were reported in the proper budget lines.

### **Work Order System**

The district does not maintain a computerized work order system to track, schedule, assign, and plan facility related work. In districts such as Cape May, an automated work order process can easily integrate the requirements of cleaning, maintenance (both contracted and in-house) and grounds with the scheduling and use of facilities, which will help control the need for per-diem replacements and potential overtime. Presently, the district does not incur overtime and per-diem custodial costs are reasonable for the size of the district, but a system will allow for tracking and future growth. It can also provide regular reports to board members and the principal on the status (and prioritization) of open work orders.

The district should consider purchasing and implementing an existing software work order system or internally developing a simple computerized work order system to meet these goals. The district could develop an internal system using its *Microsoft Access* with associated training for district staff.

### **Recommendation:**

**Implement a PC based work order process for the planning and scheduling of work and coordination of school usage.**

## **TRANSPORTATION**

The Cape May City Board of Education operates only one school in a district encompassing an area of 2.47 square miles. Because of its small size, the district has no regular in-district transportation or courtesy busing. One unique feature of this district is that the U.S. Coast Guard transports approximately 100 students who live on the base. There is no cost to the district for this service. This is due to the fact that the base is located beyond the federally regulated mileage limit of 1.7 miles, but within the New Jersey Department of Education mileage limit of 2.0 miles.

According to the 1997-98 CAFR, the district spent \$30,426.38 for the transportation of seven out-of-district special education students; \$2,637.40 for field trips; and \$3,113.00 for the transportation of 10 students eligible for speech instruction from the local non-public school, Our Lady Star of the Sea.

The Cape May City Board of Education owns no buses and has no transportation staff members of its own. For the 1998-99 school year, the board contracted with the Lower Cape May Regional School District for transportation for field trips, transportation of the non-public school speech students, and transportation of five non-public school students to Cape Christian Academy. The district also contracted with Cape May County Shared Services, a county-wide consortium, for the transportation of its special education students. By utilizing these resources the Cape May City Board of Education has efficiently controlled costs for its transportation needs.

The district's subsidiary ledger lists out-of-district special education transportation costs for 1998-99 as only \$17,985.58 or \$2,420 per pupil. Costs for field trips were only \$1.25 per mile; the cost to transport the non-public speech students three days per week was approximately \$49 per day; and the cost to transport five non-public students was \$3,297. The review team commends the district on the efficiency of its transportation program.

## **FOOD SERVICE**

An extensive review was conducted of the district's food service program. This included interviews with the food service director and other personnel, visits to the school kitchen and cafeteria to observe operations and the analysis of various documents, including the financial records as reported in the Comprehensive Annual Financial Report (CAFR) for the years ending June 30<sup>th</sup> 1996 through 1998.

The district has a production kitchen located in its one school. School lunches, breakfasts and food for meetings and special functions are prepared in this kitchen. Cape May City currently charges \$1.00 for student lunches. Teachers and staff members can purchase lunches for \$1.50. The district also charges \$.60 for student breakfasts.

A pre-printed ticket system is used for the food program. Paid meals, free meals and reduced meals are identified by a specific letter printed on the tickets. Students purchase their meal tickets from the teachers and a 40% discount is offered to students who purchase a weekly ticket for paid meals. The food manager collects lunch orders before she prepares food for the day to reduce waste.

Staffing for the food service program consists of two full-time employees, a manager and a cook, and a part-time food service worker. The part-time employee works 22.5 hours per week, is compensated at a rate of \$8 per hour and receives no benefits. The district pays full family medical benefits to the manager and the cook. The team reviewed the benefits charged to the enterprise fund and observed that part of the benefits cost was not reported in that fund.

A further analysis of the district's food service labor costs, as well as the costs of lunch and breakfast was conducted in accordance with standards and formulas used by the food service industry to assess program efficiency and productivity. In the food service industry, efficiency and productivity are determined by the average Meals Per Labor Hour (MPLH). The MPLH is calculated by dividing the total average daily hours worked by the average number of meals (including breakfast and a la carte equivalents) served daily. According to food service industry standards, a food service program should be able to produce at least an average of 15 MPLH's. A below average productivity rate could indicate that the district has too many workers on the payroll or that the workers are working too many hours. The average meals per labor hour for the Cape May City District is 10; below the market goal of 15.

The following table illustrates the district's expenses versus its income and its comparison with the market rate:

	<b>1997-98</b>	<b>% Cost Ranges vs. Income</b>	<b>Market Rate*</b>
<b>Total Income</b>	\$58,533	100%	100%
<b>Cost of Goods</b>	\$27,635	47%	39%-45%
<b>Payroll</b>	\$56,438	96%	40%-45%
<b>Supplies and Materials</b>	\$1,645	3%	4%-5%
<b>Miscellaneous</b>	\$1,229	2%	.2%-.1/2%

\*Study form PMG Service Inc.

An analysis of the above table reflects that the labor cost for Cape May City was 51% to 56% higher than market rate and that the cost of goods was 2% to 8% higher. Staff salaries and commodities are the two greatest expenses in the district's enterprise fund and therefore have the greatest impact on the district's cost-per-lunch.

Participation in the school lunch program was approximately 74% during the 1997-98 school year. The fact that a high number of children are participating in the lunch program indicates an acceptable level of satisfaction among students and staff.

Students have a 40-minute lunch period which includes 20 minutes of recess. The school has two lunch periods. During lunchtime, teachers, by contract, supervise the students. Lunch aides are also employed at the rate of \$10 per hour.

The average cost per meal was calculated by dividing total FY' 98 expenditures by the total number of meals served for that year (including lunches, breakfast and a la carte equivalents.) Certain expenses, such as repairs and depreciation, were subtracted from the enterprise fund budget. The cost per meal in Cape May City was \$2.28. Ideally, this cost should not be greater than the sum of the price charged per meals plus the reimbursement per meal. However, Cape May City charges less than the cost per meal. The difference between the cost and price per meal is \$1.28, which is the approximate amount per meal that the district subsidizes.

Identification of a surplus or deficit of the food services enterprise fund is intended to determine whether the program is self-sufficient. The following table illustrates the actual profit and loss for the district's food service program in school years 1995-96 to 1997-98:

	<b>1997-98</b>	<b>1996-97</b>	<b>1995-96</b>
<b>Operating Revenues:</b>			
School Lunch Program	\$13,952	\$13,793	\$16,807
School Breakfast Program	\$231	\$169	\$269
Daily Sales Non-Reimbursement Programs	\$14,183	\$13,962	\$17,076
Non Reimbursable Programs	\$1,836	\$1,690	\$2,645
<b>Total Operating Revenues</b>	<b>\$16,020</b>	<b>\$15,652</b>	<b>\$19,721</b>
<b>Non-Operating Revenues:</b>			
State School Lunch Program	\$2,088	\$2,634	\$2,849
School Breakfast Program	\$5,431	\$5,449	\$5,542
National School Lunch Program	\$29,684	\$34,889	\$33,119
USDA Commodities	\$5,308	\$3,813	\$4,531
Interest Revenue	\$3	\$579	\$1,309
<b>Total Non-Operating Revenues</b>	<b>\$42,513</b>	<b>\$47,365</b>	<b>\$47,350</b>
<b>Total Revenues</b>	<b>\$58,533</b>	<b>\$63,017</b>	<b>\$67,070</b>
<b>Operating Expenses:</b>			
Salaries	\$50,872	\$59,762	\$52,090
Benefits	\$5,566	\$17,035	\$13,375
Supplies and Materials	\$1,645	\$985	\$944
Miscellaneous	\$521	\$2,578	\$1,026
Depreciation	\$702	\$750	\$883
Cost of Sales	\$27,635	\$29,373	\$29,541
<b>Total Operating Expenses</b>	<b>\$86,941</b>	<b>\$110,483</b>	<b>\$97,859</b>
<b>Net Income Before Board Contribution</b>	<b>\$(28,408)</b>	<b>\$(47,467)</b>	<b>\$(30,789)</b>
<b>Board Contribution</b>	<b>\$56,438</b>	<b>\$73,005</b>	<b>\$28,876</b>
<b>Net Income After Board Contribution</b>	<b>\$28,029</b>	<b>\$25,538</b>	<b>\$(1,913)</b>

Source: District's CAFRs.

The food service program in Cape May City operated at a loss of more than \$30,000 for school years 1995-96 and 1996-97. In school year 1997-98, the district reported an operating loss of more than \$28,000, not including the unreported portion of the medical benefits. Over the past three school years, the board contributed a total of \$158,319 to the enterprise fund.

The food service director of the Vineland City Board of Education coordinates a “joint purchasing consortium” for grocery items used in the food service programs in southern New Jersey. Most local school districts work to make this joint purchasing consortium work in order to benefit from bulk purchasing. Cape May City is an active member of this consortium. All consortium members meet once a month to share ideas and menus. The team supports this good practice.

**Recommendations:**

**Option 1**

**Increase the lunch and breakfast prices to the state level. The state lunch price is \$1.85 for elementary school. The breakfast price is \$1.00. Such price increases could bring in additional revenue of \$10,938. N.J.A.C. 6:20-9.9b requires that adult meal prices be established to cover all costs associated with production and service of the adult meal or at least an additional \$.40 for lunch and \$.30 for breakfast over and above the price of a student’s lunch /breakfast by grade level as a minimum.**

**Revenue Enhancement: \$11,000**

**In order to meet the industry goal of meals produced per labor hour, the district should review the workers’ schedules and examine the productivity of the food service workers. The district should consider eliminating the part-time food service position or at least reducing the work hours. If a minimum of two hours is reduced from the part-time food service position’s daily schedule, the district could realize a savings of \$2,896.**

**Cost Savings: \$3,000**

**Total Savings for Option One: \$14,000**

**Option 2**

**Lower Township School District, located only three miles from Cape May City prepares lunches for the West Cape May School District. West Cape May pays \$1.80 for each lunch. If the Cape May City Board of Education were to use this service and pay \$1.80 per meal, the district could realize a savings of \$.48 per meal. (District cost per meal \$2.28 less \$1.80 per meal.) The total savings for the Cape May City Board of Education would be \$14,785 (30,802 meals x the savings per meal (\$.48)).**

**The Cape May City Board of Education should consider looking into this service provided by the Lower Township as a means of reducing deficit.**

**Cost Savings for Option Two: \$15,000**

### III. COLLECTIVE BARGAINING ISSUES

An area that frequently presents significant opportunities for savings is negotiated contracts. While they represent opportunities for savings, the savings and contract improvements are most likely to occur incrementally through a well-conceived process of developing compensation packages to be equitable and comprehensive. For this reason we present those issues subject to collective bargaining agreements separately in this section.

The review team examined the one collective bargaining agreement between the Cape May City Board of Education and the Cape May City Education Association. The current agreement covers three years, 1998–99, 1999–00 and 2000–01 and covers all certified and non-certified full-time staff, excluding the chief school administrator and the board secretary/business administrator.

In general, the team found the agreement to be economically conservative. For example, the average salary increase over the three-year contract is approximately 2.5%. This is below the average salary increase for school districts across the state. Also, there is a maximum payment of \$10,000 for accumulated sick time; 10-month employees receive a total of 10 sick days annually and 12-month employees receive 12 sick days; there is a maximum of 15 vacation days for 12-month non-instructional employees; and there are no longevity payments.

In addition, there are other negotiated agreements which are “standard” in most contracts, e.g., professional development reimbursements, a 100% salary for half year sabbatical leaves with a 50% salary for a full year sabbatical leave, and allowance for bereavement days.

Although the review team finds the contract as a whole to be quite conservative, there are also some provisions, which it perceives as being quite generous, e.g., payment for unused sick days upon resignation or a layoff due to staff reduction. Normally, payment for unused sick leave is only at the time of retirement and does not exist at all for resignations. Also, coverage for health, dental and prescription service is at no cost to the employees.

The chief school administrator’s individual contract with the board of education was found to be in line with the association contracts with the following exceptions. The administrator has additional life insurance coverage, which is above and beyond the coverage provided under the state administered retirement system. The maximum premium is \$2,500. The board of education also contributes \$5,100 in a separate retirement account, in addition to the state pension fund. Also, the administrator is covered under a separate disability insurance plan for an amount not to exceed \$4,000. When these additional benefits are taken into consideration, the administrator’s position value increases by \$11,600. These benefits are in addition to the statutory benefits already provided to the administrator.

The Cape May City School District belongs to the State Health Benefits Plan (SHBP). There are currently 33 employees participating in the plan at an estimated annual cost of \$153,000. The district also spends approximately \$43,000 on prescription costs. SHBP rules currently do not

permit a school district to pay an employee to opt out of coverage. It does permit charging an employee for other-than-single coverage. The board could negotiate charging a 20% other-than-single co-pay to its employees.

LGBR recognizes that the SHBP contains several rules that impede plan design changes by limiting a district's options for cost sharing. These rules are discussed in more detail in the regulatory reform section of this report.

**Recommendations:**

**The district should negotiate a 20% other-than-single co-pay whereby employees who select any type of coverage other than single would have to pay 20% of the published rate differential.**

**Potential Cost Savings: \$13,100**

**The district also participates in the state's health benefits prescription plan. As mentioned above there are 33 employees who participate in the plan and, given the size of the district, they have little in the way of options for other plans. If the district were to eliminate its prescription plan, it would save \$27,700 from its total health care costs of \$195,800. Given the expected rise in prescription costs, this may be a prudent negotiative tactic because all HMOs on the state's health benefits plan offer a prescription plan if the district does not have a stand-alone prescription plan.**

**Potential Cost Savings: \$27,700**

**Dental Benefits**

The district provides dental benefits for 33 full-time employees at an estimated net annual cost of \$27,600. The district does not currently require its employees to share in the premium costs as the state does. If the district were to negotiate a 50% premium cost sharing with its employees for dental benefits, that is, the same percentage required by the state of its employees, the district would save \$13,800 in premium expense per year.

**Recommendation:**

**The district should negotiate 50% premium co-pay for its dental plan. At the district's current premium, the district would save \$13,800.**

**Potential Cost Savings: \$13,800**

In the food service program the two full-time employees, the manager and the cook, received full family medical benefits.

**Recommendation:**

**The district should provide single-coverage-only medical benefits for food service workers.**

**Cost Savings: \$8,420**

## IV. SHARED SERVICES

Tremendous potential for cost savings and operational efficiencies exists through the implementation of shared, cooperative services between local government entities. In every review, Local Government Budget Review strives to identify and quantify the existing and potential efficiencies available through the collaborative efforts of local officials in service delivery in an effort to highlight shared services already in place and opportunities for their implementation.

The Cape May City Board of Education participates in a number of shared service arrangements that provide needed resources and services at reasonable costs. Examples include the following:

### **Facilities**

The municipal Recreation Department utilizes the school building and grounds for a number of its programs at an annual cost to the municipality of \$14,000. School facilities are also used by various community groups during the course of the year. Classroom space has, on occasion, been used to offer graduate level courses.

During the summer months, when school is not in session and when visitors to this small shore community are most numerous, the school district provides free use of its parking lot as a pick-up and drop-off site for city-operated transportation into town and to the beaches. This is done in an effort to benefit all by decreasing serious seasonal traffic congestion in this resort area.

The district offers use of its pool facility in exchange for some free services. As the Cape May City School District has no buses of its own, it sometimes provides use of its pool facility to nearby Lower Township School District in exchange for the use of that district's buses. In this way, Cape May is able to offer educational day trips for its students with no transportation costs to the taxpayer.

### **Operations**

The municipality provides a number of services for the school. Services include:

- picking up the trash and handling recycling;
- plowing the parking lot and driveways when it snows;
- striping the parking lot and providing needed signs;
- salting and sweeping the parking lot and driveways; and
- providing special assistance as needed, e.g., use of unique equipment, etc.

LGBR encourages the district and the municipality to continue to explore possibilities for expanding shared services.

### **Purchasing**

Along with other districts, Cape May takes part in cooperative purchasing of cafeteria commodities and milk from the South Jersey Food Co-op Consortium.

### **Technology**

Technical services are provided for the district by a technician from Lower Cape May Regional School District. Assistance is also provided by the Cape May County Vocational-Technical Center as well as technicians from the Coast Guard Base. The district receives free cable television service from a cable company co-op, and Internet provider service is offered free of charge by the county vocational-technical school through a program called BESS. Interactive Distance Learning (IDL) courses are offered through Atlantic County Community College and Stockton State College.

### **Transportation**

The district takes advantage of transportation services, along with other area schools, through a joint transportation agreement provided by the Lower Cape May Regional School District. Services include transporting Cape May Point students as well as students attending the non-public school. Special education runs are provided by the Cape May Special Services School District.

### **Other Services**

County-wide services include staff development and in-service training initiatives. These initiatives are also provided through the Lower Cape May Regional Consortium and a special education consortium.

The district's Program for Academic and Creative Enrichment (PACE) as well as regular grade level instruction is enhanced by use of both county and Coast Guard resources and facilities.

The County Consortium for Student Safety provides substance abuse and student assistance counseling.

The local police department participates in both Drug Awareness Resistance Education (DARE) and an "Adopt-a-Cop" program.

In addition to savings to be realized by joining services, there are two new state programs designed to encourage and reward local governmental units and their taxpayers for regionalizing, sharing and joining services with other units of local government. The Regional Efficiency Development Incentive Act (REDI) provides funds to local units to study the feasibility of joining services. The second program, REAP (Regional Efficiency Assistance Program), provides direct tax relief for any local government regional service agreement signed after July 1, 1997. These programs are administered by the New Jersey Department of Community Affairs (DCA), Division of Local Government Services. The city is encouraged to contact DCA for additional information.

## V. STATUTORY AND REGULATORY REFORM

The fifth and final section of the report, Statutory and Regulatory Reform, attempts to identify those areas where existing state regulations or statutory mandates, which appear to have an adverse effect on efficient and cost-effective local operations, are brought to the attention of the review team by local officials. It is common for local officials to attribute high costs and increased taxes to “state mandates.” Each review team is then charged with reporting those areas in this section of the report.

### **Health Benefits**

State Health Benefits Legislation does not expressly permit school districts or municipalities to charge an employee a premium co-payment except for “other than single” coverage. In 1999, during a contract negotiation with state employee unions, the concept of cost sharing was introduced through collective bargaining. The State Health Benefits Plan (SHBP) is more administratively efficient than most of the plans in the competitive marketplace due to its size and to the high level of computerization found within the Division of Pensions and Benefits. The inflexibility of the plan frequently causes school districts to look elsewhere.

School districts and municipalities should be expressly permitted the same flexibility that the state enjoys with its employees for the state health benefits plan. If the statutes would allow local entities to negotiate premium co-payments with employee unions, the state health benefits plan would be competitive with private insurance plans. Premium sharing has been demonstrated to influence employees to account for cost of health care in their individual choices concerning this important personal decision.

School districts are also not permitted to pay an employee to elect no coverage in the SHBP. Municipalities are expressly permitted under state health benefits legislation to pay employees up to 50% of the value if an employee opts for no coverage. Districts throughout the state have expressed a desire to use this technique to reduce the overall cost of health care coverage.

### **Apportionment of Appropriations for Payment to Regional School Districts**

An issue repeatedly brought to the attention of team members is the effect of the statutory apportionment of appropriations on Cape May City residents. Specifically, a number of Cape May City residents take exception to the cost apportionment borne by Cape May City for the education of its students in grades 7 through 12 by the Lower Cape May Regional School District. This issue has been exacerbated in a number of shore communities because of the different ratables applicable in island versus inland communities.

According to the options provided under N.J.S.A. 18A:13-23 “Apportionment of Appropriations,” the formula by which Cape May City residents allocate payment to the regional school district is based on “equalized valuation.” N.J.S.A. 18A:13-23a. Equalized valuation is defined in part as “the equalized valuation of the taxing district or taxing districts . . . in proportion to the number of students resident in each of them.” N.J.S.A. 18A:7F-3. Due to the rise in property values and the decline in the number of school-aged children in Cape May City

over the past 10 to 15 years, Cape May City students currently comprise only 10% of the regional school district population. Pursuant to N.J.S.A. 18A:13-23a, the municipality's appropriated payment currently comprises 33% of the regional school district's total annual budget. Put simply, the big question among Cape May City taxpayers is, "Why should we pay 1/3 of Lower Cape May Regional School District's budget when our children comprise only 1/10 of the student population?"

Statute does provide other means of apportioning appropriations (see N.J.S.A. 18A:13-23a; and N.J.S.A. 18A:13-23c). But these means are perceived by Cape May City residents, as well as residents of other shore communities in similar situations, as being unrealistic. Any change in the method of apportioning appropriations would require a board referendum, and the voters in each municipality in the regional district would have to approve the referendum. Such a referendum would not likely be approved since any decrease in Cape May City's apportionment would result in respective increases in the reapportionment of the districts that presently hold the majority vote. Under current law, these are the only options available to the municipality.

Although efforts are being made to promote regionalization throughout the state, the current method of apportionment of tax monies, specifically in the shore communities, appears to be one of the biggest disincentives to regionalize. This is due, at least in part, to the extreme difference in ratables between the inland and island communities.

P.L. 1999, Chapter 60 was signed into law last year by Governor Whitman to provide aid to local units of government, including school districts, to study regionalization and shared and consolidated services. A school district that plans to study or implement a regional service agreement may apply for a grant and/or loan to study or implement regional services or consolidation opportunities and to finance relevant one-time start-up costs. More details on applying for a Regional Efficiency Development Incentive Program (REDI) grant/loan may be obtained by visiting the DOE Website at: <http://www.state.nj.us/njed/grants/redi/htm>, or by calling the DOE at 609-633-2454.

**LOCAL GOVERNMENT BUDGET REVIEW  
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